PERCEPTION OF INDIVIDUAL INVESTORS TOWARDS INVESTMENT IN NEPALESE STOCK MARKET

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

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled, "Perception of Individual Investors towards Investment in 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 requirement for any other academic purposes.

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

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Pritam Raj Karki

REPORT OF RESEARCH COMMITTEE

Mr. Pritam Raj Karki has defended research proposal entitled **"Perception of Individual Investor towards Investment in Nepalese Stock Market"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Sita Dhital Submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Perception of Individual Investor towards Investment in Nepalese Stock Market"** Presented by Pritam Raj Karki Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Acknowledgement

This dissertation entitled "Perception of Individual Investor towards Investment in Nepalese Stock Market" has been prepared for the partial fulfillment of the requirement for the Master's Degree under Tribhuvan University, Nepal. It aims to analyze the individual perception towards investment in stock in Nepalese Stock Market. This research study how the independent variables like accounting information, Advocate recommendation, Self-Image/Firm Image, Accounting Information, Personal Financial needs and dependent variable like individual investment decision making affect the decision of present individual investors and prospective investor.

I would like to express my profound gratitude to my supervisor Sita Dhital for their expert, academic support, advices, valuable suggestions constant supervisions, timely guidance, and her affectionate behave during the research period. I would never forget my friends who always encouraged me and helped me by providing for the preparation of this dissertation. I am also grateful for the faculty member of Shanker Dev Campus for the academic support and guidance. I would like to express my respect, indebtedness to my parents for their continuous support for the completion of my study.

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Pritam Raj Karki

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ABBREVIATION

AI : Accounting Information
ANOVA : Analysis of Variance
APT : Arbitrage Pricing Theory
AR : Advocate Recommendations
ASE : Athens Stock Exchange
CAPM : Capital Asset Pricing Model
CDSC : Central Depositary System and Clearing
CSE : Colombo Stock Exchange
DCA : Dollar-Cost Averaging
EMH : Efficient Market Hypothesis
EPS : Earnings per Share
ETFs : Exchange Traded Funds
MBS : Masters in Business Studies
N : Sample Size
NEPSE : Nepal Stock Exchange
NI : Neutral Information
NOPAT : Net Operating Profit after Taxes
PFN : Personal Financial Needs
P/E Ratio : Price/Earnings Ratio
R : Correlation Coefficient
ROE : Return on Equity
SEO : Seasoned Equity Offerings
SEBON : Securities Board of Nepal
SEC : Securities and Exchange Commission
SI : Self-image/Firm-image Coincidence
Sig. : Significance
SPSS : Statistical Software for Social Science
VIF : Variance Inflationary Factor

ABSTRACT

Investment in stock market is becoming a trend nowadays in Nepal. People are being more aware of investment in Stock market. In past one year, significant increment is being seen in number of investors and transaction volume of stock market transactions in NEPSE. As per the recent data of February 2021 the market capitalization of NEPSE reaches largest since its establishment period however during the July 2022 the market capitalization of NEPSE is decreasing as compared to data of one year before this research. By analyzing the current scenario, this study is conducted in order to find out how Nepalese individual investors of stock market perceive about investing in stock market and what factors are mainly influential on their investment decision.

This study is based on the primary data collection from individual investors who are actively investing in Nepalese stock market. Total of 547 respondents were taken as a sample for this study and convenience sampling method was used for data collection. The constructs for the independent variable is taken from empirical research and constructs for dependent variable is prepared by researcher herself. This study follows the causal comparative research design in order to infer the impact of five different independent variables namely accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financial needs on investment decision of Nepalese stock market investors.

The data analysis consists of descriptive as well as inferential statistics. Descriptive statistics used under this study are frequency, percentage, mean and standard deviation in order to describe the characteristics of the data. Descriptive statistics especially mean and standard deviation shows that all the five independent variables have positive contribution in measuring the impact on individual investment decision which can be demonstrated by the mean value greater than three in five-point Likert scale. This means, majority of the respondents are agreed upon the statement presented to them to measure the impact of independent variables on individual investment decision.

Similarly, under the inferential statistics, correlation and regression were used. Under the correlation analysis, it has been found that all five variables namely accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financial needs have positive correlation with individual investment decision. Similarly, under regression analysis, it has been found that two

variables namely accounting information and personal financial needs have significant positive impact on individual investment decision. In contrast, other three variables namely advocate recommendations, self-image/firm-image coincidence and neutral information have been found insignificant with individual investment decision at 5% level of significance.

Based on the data analysis and findings, it can be concluded that Nepalese stock market investor's decision is mostly affected by accounting information related factors as well as by their own personal financial needs related factors. On the other hand, factors under advocate recommendations, self-image/firm-image coincidence and neutral information related factors do not affect that much in decision making of individual investors towards Nepalese stock market.

Finally, it is recommended to all the current as well as potential investors that they should carefully analyze all the relevant aspects regarding individual needs as well as firm level and national level indicators while making investment in share market. Also, it is recommended to regulatory authorities to make and improve those policies which will generate a favorable environment for all the current as well as potential investors by remaining in some ethical and legal boundaries.

No substantial research has been found in this field in Nepal. Therefore, this study will be very much fruitful for all the current and potential investors in understanding how Nepalese stock market investors perceive about investing in stock market and what the influential factors on their investment decision are. Moreover, this study is also important for different stock market related government and non-government authorities as they are the one who make and implement policies and regulations regarding this field.

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Investment can be defined as an asset or item acquired with the goal of generating income or appreciation. When an individual purchases goods as an investment, the intent is not to consume the goods but rather to use it in the future to create wealth. According to Cambridge Dictionary the act of putting money, effort, time, etc. into something to make a profit or get an advantage, or the money, effort, time, etc. used to do this. For example, if an investor purchase any monetary asset now with the idea that the said asset will provide income in the upcoming periods or will later be sold at high price for capital appreciation. Investment has the goal of generating income/profits and increasing value over the time period. An investment can refer to any mechanism used for generating future income. This includes the purchase of bonds, stocks, or real estate property, among other examples. Additionally, purchasing a property that can be used to produce goods can be considered as an investment (Hayes, 2021).

Investment in the financial securities (such as firm's stock) can be undertaken by the investors for three basic objectives: wealth maximization, liquidity maintenance, and risk minimization. This implies that a rational investor is influenced by these objectives when making investment decisions. It is not guaranteed that all the investors making investment in financial securities will be profitable because not all make a correct investment decision over the period of time. However, the investor can maximize return and minimize the risk of loss by making a diversified portfolio of stocks. Investing is not a game but a serious activity that can have a major impact on investor's future wellbeing. The future is uncertain, and the investor must determine how much risk they are willing to bear since higher return is associated with accepting higher level of risk (O'Shea & Davis, 2021).

Developing an investment includes deciding how much money to put down now in expectation of future advantages. It is a trade-off between present financial gain and future rewards. An individual will choose a portfolio that maximizes his satisfaction if he decides to invest (and postpone consuming) in accordance with the utility theory. According to the utility theory's axioms, investors must be fully rational, capable of handling difficult decisions, risk averse, and wealth maximizing (Nagy & Obenberger, 1994).

In the present context of Nepal, the stock market is experiencing tremendous increment in the number of individual investors as the number of DEMAT accounts reaches more than 5.5 million. Also, almost 5 million people have currently being involved in applying for IPOs. The trend of investing in share market was higher in city areas because of the financial literacy and access to the financial services and gradually increasing towards urban area, people from rural areas are also starting to invest in share market through IPOs as the financial literacy and access to financial services is increasing in every part of the country. It is believed that slowly the number of investors in secondary market will be increased. As a result, the daily transactions and the market capitalization of NEPSE are heavily increased in recent times. One of the major reasons behind the heavy increment in NEPSE investors and transactions is introduction of digital platform for share market transactions.

Hence, this survey has been conducted in the Nepalese stock market to understand the perception of the investors that, how much of the external factors affect the investment behavior & decision of the investors in stock market, whether directly or indirectly

1.2 Problem Statement

It is assumed that investors are rational and competent. It is also expected that investors have identical preferences, complete awareness of all available options, and a comprehension of the effects of their choices. It is considered that markets are effective. An investor could not generate higher returns by using technical analysis or fundamental analysis over a randomly selected portfolio of individual stocks with similar risk (Malkiel, 2003).

The basic assumptions of classical decision making theory have been contested by psychologists in the fields of cognitive and experimental psychology on the grounds that people frequently behave in ways that are not entirely rational. One such theory, the prospect theory, was first proposed by (Kahneman and Tversky, 1979) and makes the assumption that people are not rational beings; rather, they are loss averse, which means that they are more concerned with avoiding losses than achieving gains.

Many of the research and studies have been conducted with the objective to find out the perspective and psychology of individual investors towards the stock market around the world. Various studies such as Merikas et al., (2004) conducted a study on Greece focusing particularly on experienced investors and discussed economic issues and individual investing behavior. Similarly, Al Tamini (2004) conducted a study on UAE, Ahmad (2017) conducted a study on Pakistan, Somathilake, (2020) conducted study on Colombo Stock Exchange and so on. Other many studies had been carried out on different stock exchanges regarding investor's investment

making. But there were very few studies carried out on Nepalese stock market regarding Nepalese investor's perception or psychology towards investment in stock market assets. One of the major reasons that motivate the researcher to conduct this study is that there is lack of these types of past studies and reports on Nepalese stock market. It is being necessary to understand the perception of investors towards different influencing variables of investment decision as the stock market of Nepal is experiencing heavy increment in number of investors leading to significant increment in daily transactions and market capitalization.

The research study 'Perception of Individual Investors towards Investment in Nepalese Stock Market' focuses on finding out what the Nepalese individual investors think about investing in stock market and what are the major factors being considered by Nepalese investors while making investment in stock market.

This study is conducted to find out the answer of the following research questions:

- What are the most influencing determinants that influences the investment behavior of individual investors in Nepalese stock markets?
- Is there any relationship between investment behavior (i.e. Accounting Information, Advocate Recommendations, Self-image/Firm-image coincidence, Neutral Information and Personal Financial Needs) and individual investment decision in Nepalese stock markets
- What are the effects of Accounting Information, Advocate Recommendations, Self-image/Firm-image coincidence, Neutral Information and Personal Financial Needs on individual investment decision in Nepalese stock markets

1.3 Objectives of the Study

The general objective of the study is to gain an insight into perception of individual investors towards investment in Nepalese stock market. It intends to find out what really the individual investors in Nepalese stock market consider while making their investment decision. Moreover, this study tries to find out about the major factors contributing in individual's investment decision on Nepalese stock market. The specific objectives of this research are as follows:

- To find out the determinants that influences the investment behavior of investors in Nepalese's stock markets at most.
- To Study the relationship between investment behavior (i.e. Accounting Information, Advocate Recommendations, Self-image/Firm-image coincidence, Neutral Information

and Personal Financial Needs) and individual investment decision in Nepalese stock markets

- To analyze the effect of Accounting Information, Advocate Recommendations, Self-image/Firm-image coincidence, Neutral Information and Personal Financial Needs on individual investment decision in Nepalese stock markets.

1.4 Rational of the Study

Every investor has to make their investment decision by considering every possible aspect regarding the asset so that they can manage maximum return with minimum possible level of risk. Investment decision making process and determining factors of investment decision on stock market may not be same for every individual investor. A rational investor carefully analyzes the investment opportunity before making investment decision. Every individual investor has their own investment strategy. Therefore, individual investors of stock market have to understand and analyze every possible aspect that may affect their investment expectation. This study will provide the insight about how different individual investors make their investment decision on Nepalese stock market.

The study about perception of individual investors towards investment in Nepalese stock market has aim of finding out how Nepalese individual investors make their investment decision by analyzing different considerable factors such as financial information, recommendations, neutral information, image of the firm and own capacity and expectation. By considering this study's findings, this study can be beneficial for the following parties:

- This study can be beneficial and insightful for current and potential stock market investors as they can know how Nepalese stock market investors are making their investment decision.
- This study can be beneficial for different policymakers and regulators related to stock market.
- This study can be beneficial for upcoming researchers as they can review this as a relevant literature.

1.5 Limitations of the Study

Subsequent time and effort were provided by the researcher while conducting this study. However, this study is not free from some limitations which are presented in following manner:

- This study has been conducted with specific sample size and cannot represent the preference of whole population as only 547 samples were collected and used for the analysis.
- This study prepared on the basis of sampling so the result may not free from bias
- This study is based on primary data taken from structural questionnaire by the respondent and the online sources.
- This study is prepared on the basis of casual and descriptive research design

Hence, the project has been particularly prepared with the help of information or data obtained on limited basis. However, attempt has been made to make it as authentic and realistic as possible.

CHAPTER II

LITERATURE REVIEW

This chapter includes the review of different literatures from different authors relating to the concept and expectation of the topic under study. Literature review is done by reviewing previously published literatures on different sources such as books, journals and websites regarding the area of the study of current research. Empirical review is done by reviewing the findings of previous studies similar to the current one. Finally, theoretical framework is prepared using five different independent variables showing their relationship with the dependent variable.

2.1 Theoretical review

Literature review is the review of different previously published literatures on various online and offline sources. This part helps to understand about the various concepts and theories relating to the subject matter of the current study. Different concepts and theories relating to the area of current study are explained below.

2.1.1 Concept of Perception

The sensory experience of our surroundings through the use of our sense organs is called perception. Both the recognition of external stimuli and the actions taken in response to them are elements of perception. Through the process of perception, we learn about the features and elements of our surroundings that are essential to our existence. The five senses of touch, sight, hearing, smell, and taste are all part of perception. Proprioception is another term for a group of senses that involve the capacity to recognize changes in the postures and motions of the body. It also includes the mental operations necessary for information processing, including identifying a friend's face or scent something familiar. Individuals can also perceive things like balance, time, internal position, acceleration, and internal states through the use of other senses. Several of these involve multiple senses and are multifunctional. Other important type of perception is social perception, which is the capacity to recognise and apply social cues regarding individuals and relationships (Cherry, 2020). The steps that compose the perceptual process, which starts with the environment and ends with our perception of an object and our response to it, explain how perception functions. You don't give the process that takes place when you perceive the various stimuli that are all around you much thought, even though it happens constantly. For instance, your retinas instantly and naturally convert the light that strikes them into a real visual image. Perception also includes small changes in pressure against your skin that enable you to experience

objects without thinking about them. Perception acts as a filter that allows us to exist and interpret the world without becoming overwhelmed by the abundance of stimuli (Cherry, 2020).

The process of structuring and decoding sensory impressions to provide meaning for the surroundings is referred to as perception.. A person's perception is frequently shaped by presumptions about their personal traits. He believes that the perceiver's characteristics, such as opinions, hobbies, desires, or experiences, may have an impact. Personal qualities including style, stature, colour, background, voice, and other distinctive features help people perceive a person. Situational factors that affect perception includes the event's time, place of employment, and social setting. (Robbins, 2005). Individual choices on particular events and circumstances are heavily influenced by their views. In real-world organisations, decision-makers use intuition, common biases and mistakes, and bounded rationality. Usually, decision-makers ignore every option when solving a problem. Making a short list of alternatives and selecting the one that will most likely address the complexity of the issue is a skill that decision makers acquire. Overconfidence, anchoring, verification, accessibility, accurate, elevation of commitment, volatility, and hindsight can all be common biases and errors that affect a decision maker's perception. When making decisions naturally, decision-makers rely on their gut impulses, previous expertise, and expertise.

When making ethical decisions, three criteria are considered: justice, rights, and utilitarianism. Numerous organizations are governed by the morality criterion, which aligns with objectives such as productivity, efficiency, and large profits. Individual rights are given up by utilitarianism. Individuals' basic liberties must be respected and upheld in order to meet the rights requirements. Fair pay, regulations, and perks for all employees comprise the third ethical criterion of justice, which is utilised most often by unions (Robbins, 2005).

Every person, animal, and thing that an organization's decision will impact is considered in the process of making moral choices. Any decision that does not take into consideration every relevant party is unethical. The businesses involved in the Exxon/Valdez oil disaster had to to make ethical decisions that were beneficial to all parties concerned, particularly the environment, companies, and animals (Christensen & Kohls, 2003).

Everyone uses their senses to try to make sense of the world around them. Although perceptions can be misleading, accurate perceptions can help in decision-making. Decisions made by management cannot be based only on perceptions. Administrators have to give a specific reason for a person's conduct Decision makers may handle problems correctly when they use a combination of criteria for making decisions, perceptions, and prevent biases and mistakes.

2.1.2 Concept of Investment

An investment is something you buy expecting to earn money or appreciate in value. An asset's value increasing over time is referred to as appreciation. The goal of acquiring items as an investment is to use them to generate wealth later on, rather than to consume them now. Whenever any kind of investment occurs, some assets, money, or work must be put in with the goal of earning a larger payout later on. An investor might, for example, buy a financial asset today with the expectation that it will increase in value or be sold for a profit at a later date (Chen, 2020).

Generating earnings and increasing value over time are the objectives of investing activities. Any method for producing income in the future might be considered to as an investment. Acquiring bonds, equities, or residential property are a few examples of this. Acquiring an area of property with the potential to create things is also regarded as an investment. Generally speaking, any action done with the intention of generating income in the future qualifies as an investment. For instance, gaining more knowledge and developing one's skills is frequently the aim of deciding to continue one's education (in the hopes of eventually creating more income).

The process of acquiring assets that increase in worth over time and generate income or capital gains is known as investing. More widely, investment can also imply giving time or money to improve your own life or the lives of others. However, in the world of finance, investing is the act of purchasing real estate, stocks, and other valuable items with the goal of earning income or making financial gains. The most basic description of investing involves purchasing an item at a discount and reselling it for a profit. One particular type of reward for your investment is a capital gain. By selling assets for a profit—a procedure frequently referred to as producing capital gains—investing may yield profitsThe increase in the value of a stock from the time of acquiring to the time of selling is referred to as appreciation. Stock values can rise when a company releases a well-liked new product that increases sales, generates income, and raises the market value of the stock. If an organisation releases new bonds with a 4% interest rate while an existing bond pays 5% annually, the value of the former might rise (Napoletano, 2020).

Investing is profitable when you purchase and hold assets that yield income, in addition to gains from capital appreciation. The aim of income investing is to purchase assets that yield cash flow over time and hang onto them without selling them in order to avoid realizing capital gains through asset sales. For instance, dividends are paid by several equities. Dividend investors hold equities and profit from the dividend income rather than buying and selling stocks.

2.1.3 Basic Types of Investment

Those looking to invest in assets with the possibility of capital gains can choose from four primary categories: stocks, bonds, commodities, and real estate. Apart from these fundamental securities, funds such as exchange-traded funds (ETFs) and mutual funds (MF) also purchase various mixes of these assets.

- Stocks

Businesses raise capital through the sale of stock to finance their activities. Purchasing stock allows you to share in a company's profits and earn partial ownership of it (and the losses). Additionally, dividends small, regular payments made from a company's profits are paid by some stocks. Stocks have a higher risk than certain other investments because there are no guaranteed profits and individual companies may fail. When investing in a company's stock, people hope to earn significant capital gains in addition to dividends in cash or stock.

- Bonds

Investors can "become the bank" by purchasing bonds. Companies and nations that require capital raise it from investors by issuing bonds, a type of debt. Purchasing bonds entails making a fixed-term loan to the issuer of the money. The issuer will repay the money you originally lent them plus a specified rate of return in exchange for your loan. Bonds, usually referred to as fixed income investments, provide guaranteed, fixed rates of return and are typically less risky than stocks. However, not every bond is a "safe" investment. Certain corporations that issue bonds have low credit ratings, which increases the possibility that they won't make their repayments on time.

- Commodities

Commodities includes energy products, agricultural products, and metals, particularly precious metals. These resources are usually unprocessed goods used by businesses, and the cost is set by market demand. For example, the price of wheat may increase due to scarcity if a flood has an impact on wheat production. Buying material goods involves maintaining a lot of wheat, gold, and oil in storage. As you may assume, this is not how most people invest in commodities. Instead, investors buy commodities through futures and options contracts. Other automobiles, including exchange-traded funds (ETFs) or acquiring stock in companies that manufacture commodities, can also be used to invest in goods.

Investing in commodities might have a comparatively significant risk. Investing in futures and options often requires you to trade with borrowed funds, which increases your risk of loss. For this reason, purchasing investments in commodities is usually a wise choice for more seasoned investors.

- Real Estate

Acquiring a house, building, or plot of land is one method to make investments in real estate. Investments in real estate involve various levels of risk, which are determined by a wide range of variables including public school rankings, crime rates, local government policies, and economic cycles.

Acquiring shares of a real estate investment trust (REIT) is one of the best option for real estate investors who does not want to manage or own real estate directly. Companies that use real estate to produce revenue for shareholders are known as REITs. They have great dividend payout history than a lot of other assets, such as stocks.

- Mutual Funds (MF) and ETFs (Exchange Traded Funds)

Using a specific strategy, mutual funds (MF) and exchange-traded funds (ETFs) invest in stocks, bonds, and commodities. When you buy shares of funds like mutual funds (MF) and exchange-traded funds (ETFs), you can invest in hundreds or thousands of assets at simultaneously. MF and ETFs are typically less hazardous and much safer than individual investments because of this simple diversification.

> ETFs and mutual funds (MF) are both kinds of funds, but they function somewhat differently. Mutual funds are often actively managed, meaning that an investment professional makes selections on what to invest in. They acquire and sell a variety of assets. Mutual funds frequently aim to outperform an index that serves as a benchmark. ETFs are typically less expensive to invest in than mutual funds due to their active, hands-on management. Thousands or even hundreds of separate equities can be found in ETFs. ETFs, on the other hand, typically aim to replicate the performance of a specific benchmark index rather than beat it. It is unlikely that your financial returns will exceed the benchmark's average performance while using this passive investing technique. Owing to their absence of active management, exchange- traded funds (ETFs) can have lower investment expenses than mutual funds. Furthermore, historically speaking, very few mutual funds that are actively managed have outperformed benchmark indexes and passive funds in the long run (Napoletano, 2020).

- Debentures

A debenture is a type of bond or other debt instrument that is unsecured by collateral. Since debentures have no collateral backing, they must rely on the creditworthiness and reputation of the issuer for support. Both corporations and governments frequently issue debentures to raise capital or funds.

They are similar to unsecured loans in that, in the event of a default, the investor has no right to the company's assets. The issuing company's creditworthiness is the sole consideration in determining the repayment. However, the company that issued the shares will settle the debt interest payments before distributing stock dividends to its stockholders. Companies occasionally also provide security to them, meaning that they have an asset in the form of a mortgage. The company's preferred method of paying creditors during bankruptcy is by selling off its assets. As a result, before making an investment in these securities, investors may examine their credit ratings.

Debentures are a means for firms to raise funding when all of their assets have been pledged as collateral somewhere else. Their longer holding period and lower interest rates are the reasons for this. They may therefore be attractive than other forms of long-term funding.

2.1.4 Individual vs. Institutional Investor

Institutional Investor

An institutional investor is a company or organization that invests money on behalf of other people. They are the pension funds, mutual funds, money managers, insurance companies, investment banks, commercial trusts, endowment funds, hedge funds, and also some private equity investors. The money that institutional investor use is not actually money that the institutions own themselves. Institutional investors generally invest for other people.

Retail or Non-Institutional Investors

Any investor who is not an institutional investor is referred to as a retail, or non-institutional, investor. That includes almost everyone who uses a broker, bank, real estate agent, or any intermediary to acquire and sell debt, equity, or other investments. These individuals are handling their own finances; they are not making investments on behalf of others. The main motivations for non-institutional investors are typically financial goals, such as funding a major purchase,

saving for their children's college, or retirement planning. Retail investors frequently pay more on their trades, in addition to the advertising, commissions, and other related fees, because of their limited purchasing power. Retail investors are by definition regarded by the SEC as inexperienced shareholders, who are restricted from making certain risky, complex investments and are granted certain protections. (Palmer, 2019).

2.1.5 Individual Investment Strategies

Most of the investing strategies are they're flexible, they varies and can be easy changes as per investors need. If you choose any one and in case it doesn't suit your risk tolerance or schedule, you can certainly make changes. However, be advised that doing so may be costly. There is a charge for each purchase. More significantly, there may be a realised capital gain from asset sales. These gains are costly since they are taxable.

Individual investment strategies are dependent on their financial situation as it is very important to make investment based on how much they can afford to invest. Investors shouldn't begin investing if people can't afford to, even though they do not require a lot of money to do so. Before starting to save money, investors should think about how investing would affect their financial condition if they have many expenses or other commitments. After evaluating one's own financial situation, the next stage is setting investing goals. Since every individual has unique needs, investors should ascertain who their target audience is. Does the investor plan to put funds aside for retirement? Is the investor hoping to buy a house or a car in the future? Or are investors saving money for their own or their children's education expenses? This will enable them to concentrate on on their strategy. Find out how much risk they can take. Age, income, and the amount of time left till retiring tend to be the primary indicators of this. In theory, they can assume greater risk the younger they are. Higher returns are associated with greater risk, whereas slower profit realisation is linked with lesser risk. But bear in mind that there is a higher chance of losing funds while making high-risk investments. Lastly, get familiar with the fundamentals. To prevent making illogical investments, it is a good idea for investors to have an overview of what they are entering into.

The core four individual approaches to investing are as follows, based on the needs, nature, and expectations of each investor:

Strategy 1: Value Investing

It is an investment technique whereby investors buy cheap stocks with the intention of holding them for certain period of time. Value investors are always on hunt for deals. They look for

equities that they think are cheap and has future growth potential. They search for equities whose pricing, in their opinion, do not accurately reflect the security's inherent worth. Part of the foundation of value investing is the belief that there is some degree of irrationality in the market. Theoretically, this irrationality offers chances to purchase stocks at a bargain and profit from them. P/E, or price-earnings ratio, has emerged as the main method for rapidly locating inexpensive or undervalued stocks. This is a single figure obtained by dividing the share price of a stock by its earnings per share (EPS).

Strategy 2: Growth Investing

Rather than focusing on cheap transactions with rapid returns, growth investors look to invest in financial assets with substantial upward growth potential in future earnings. One may argue that investors in growth companies are always looking for the "next big thing." However, growth investing differs from embracing speculative investing mindlessly. Rather, it involves evaluating a stock's current condition as well as its potential to grow. A productive investor assesses the prospects of the industry in which the company performs well. Before purchasing a Tesla, consider issues like whether electric cars are here to stay or before making an investment in a digital company, you might consider if artificial intelligence will become a standard feature of daily life. If the business is to expand, there has to be proof of a strong and broad demand for its offerings. Investors might examine a company's recent past to get an answer to this query. To put it simply, a growth stock needs to be expanding. A steady pattern of high sales and earnings should indicate the company's ability to meet growth targets.

Strategy 3: Momentum Investing

Momentum-driven investors catch the wave. Some feel that losers never stop losing and winners never stop winning. They make an effort to buy rising-trending stocks. They may choose to short-sell such equities if they believe losers will continue to decline. Still, short selling is an extremely hazardous strategy. They merely employ data-driven trading methods, making choices based on patterns in stock prices. In short, the behaviour of momentum investors defies the efficient-market hypothesis (EMH). This idea states that asset prices appropriately reflect all information that is available to the public. It is difficult to accept this claim and adhere to the momentum investing tactics since it seeks profit from both cheap and overvalued stocks.

Strategy 4: Dollar-Cost Averaging

Making steady market investments over time is known as dollar-cost averaging, or DCA, and it is not restricted to the other above-discussed strategies. Instead, it's a way to carry out the plan of

action you decide upon. You have the option to use DCA to fund an investing account with $300 per month. When you utilise automated functions that make investments for you, this logical technique gains even more power. When there is little to no oversight required during the process, sticking to a plan is easy. The benefit of the DCA strategy is that it avoids the painful and ill-fated strategy of market timing. Sometimes, even experienced investors are tempted to buy when they believe the prices are cheap, just to be disappointed to learn that the decline is longer than they had anticipated. Regular increment investments allow the investor to take advantage of prices at all points, from high to low. The average cost per share of the acquisitions is essentially decreased by these recurring investments (Taylor, 2020).

2.1.6 Investment Decision

Options for investing involving the distribution of money among several investment options in an effort to maximise return. It only helps businesses choose the best assets to use their money on. The investor or senior managers make these choices after carefully evaluating each opportunity and providing funds to it. Each company must make important investment selections because they ultimately affect their profitability. Before investing any money in any of the potential investment chances, it is important to make sure that a thorough analysis of the risks and rewards has been conducted. There are two categories of investing decisions: long-term and short-term. Long term investment decisions are concerned with the investment of funds in long term assets and are termed as Capital budgeting. Whereas, short term decisions relate to investment in short term assets which is also called working capital management (Twin, 2021).

When an investor buys an asset; he/she expects to receive future benefits in the form of income and cash receipt from the eventual, future sale of asset. The investor expects the future benefits greater than his outlay. The purchase of the asset therefore is an investment decision made on the basis of the capital outlay and the estimate of future benefits or rewards (Hargitay & Yu, 1993).

Investment decision is a determination made by directors and/or management as to how, when, where and how much capital will be spent on investment opportunities. The decision often follows research to determine costs and returns for each option. Decisions concerning the asset side of a firm's balance sheet, such as the decisions to offer a new product. Investment managers along with investors make the decisions about their investments. Investment analysis is usually carried out by investors using fundamental analysis, technical analysis, and their own gut feelings. Investment decisions are often supported by decision tools. Various theories also guide investors to make their investment decisions. It is assumed that information structure and the

factors in the market systematically influence individuals' investment decision as well as market outcomes.

2.1.7 Investment Theories

The anticipated value model invented by Neumann and Morgenstern in 1953 acts as a basis for modern investment theories. Financial investment decisions are guided by the risk-return trade-off. What the decision-maker decides will depend on how much risk he is willing to take. An investor would be expected to accept an offer for an investment which would optimise return since a reasonable investor would want to maximise his utility. Its logic is based on the axioms supporting expected utility optimising (Kamuti & Omwenga, 2017).

Portfolio Theory

Neumann and Morgenstern's (1953) anticipated utility model serves as the foundation for portfolio theory. The notion states that there is a significant trade-off between risk and return when investing. Diversified portfolios are wise, according to Markowitz (1952). His mean variance analysis looks at how an investor, being a one-period utility maximizer, should divide his wealth across different assets that are accessible in the market. A portfolio that has the lowest variance for a given expected return or the largest expected return for a given variance is said to be efficient. It is possible to lower portfolio risk overall by choosing assets with low correlation of returns (Kamuti & Omwenga, 2017).

The Markowitz mean variance framework has been expanded by Sharpe (1964), Lintner (1965), and Mossin (1966) to create a relation for expected return under specific conditions. This occurs because the declining returns on one asset will be balanced by the increasing returns on another asset. Securities from companies in distinct industries are more likely to experience this, particularly if those businesses respond to macroeconomic business cycles in different ways. A comprehensive explanation of the portfolio phenomenon through diversification is provided by Markowitz (1952). It makes intuitive sense that high-risk stocks should have high expected returns, given that investors are risk averse. The capital asset pricing model (CAPM) is the product of the efforts of Sharpe, Lintner, and Mossin. By comparing the return on each asset with the return on the market portfolio, the CAPM model offers a streamlined tool. The beta (ß) coefficient is this device, and as a result, the CAPM is a one-factor model that solely depends on the security market. The model is based on the supposition that investors use means and variances to estimate returns and risk and that the market is efficient. As a result, a variety of investments in individual stocks as well as portfolios can be plotted according to the characteristics of mean

variance. In light of investors' preference for lower risk and higher projected returns, efficient portfolios ought to outperform inefficient ones. The competing model of CAPM is a three-factor model of (Fama & French, 1992).

Both models are based on linear regression and are used to determine expected returns. In reaction to the criticisms of CAPM, Ross (1976) created the arbitrage pricing theory (APT), an alternative model. APT is a multifactor model that essentially includes CAPM as a special case, whereas CAPM is a single factor model that relates a stock (or portfolio) to the market portfolio alone. APT uses a sophisticated statistical method called factor analysis in addition to the market portfolio to find additional elements that influence a security's pricing. Similar to CAPM, APT is predicated on the notion that capital markets are ideal and that, in the face of uncertainty, investors would rather have more wealth than less. According to APT, the returns on each particular asset will depend on a number of variables that are both specific to that asset and common to all assets. When arbitrage no longer yields better profits or reduced risks, market equilibrium will prevail (Kamuti & Omwenga, 2017).

The Efficient Market Hypothesis (EMH)

The final aspect of modern portfolio theory is the efficient market hypothesis. The concepts that support the theory of an efficient market are that people evaluate all available information, behave rationally, and correctly optimise expected benefit (Shiller, 1998). An efficient market, according to Fama (1965), is one in which actual asset prices always provide remarkably accurate estimates of their true worth given the information available. Many rational profit maximizers actively compete with each other to predict future market prices of individual assets in this market where a large amount of current information is available to all players (Fama, 1965). News spreads quickly and quickly is taken into account in the pricing of securities. An investor could not make more money from technical analysis or even fundamental research than from owning a randomly chosen portfolio of individual equities with similar risk (Kamuti & Omwenga, 2017).

The random walk concept, which is related to EMH, describes price series in which all subsequent price changes are random deviations from earlier prices. Tomorrow's price change will only reflect tomorrow's news and will be independent of today's price fluctuations if information flows freely and is instantly reflected in stock prices. However, as news is by its very nature unpredictable, the ensuing fluctuations in price must also be random and unpredictable. According to (Malkiel, 2003), prices therefore accurately reflect all available information. As a

result, even ignorant investors who purchase a diversified portfolio at a marked-up price table will receive a rate of return that is just as high as that of experts.

Behavioral Finance

The utilitarian theory-based investing choice process typically does not address investment decision processes. The utility-based theories state that individuals decide about consumption and investment over time in an effort to maximise their utility in accordance with conventional wealth standards (Merikas, et.al., 2004). In contrast to the utility theory, other theories contend that investors should prioritise avoiding bad outcomes, maximise geometric mean returns, and make decisions about their investments without taking probability or utility functions into account (Nagy & Obenberger, 1994). In accordance with an original theory invented by Kahneman and Tversky (1979), there are deviations from the utility (classical decisions) theory caused by cognitive (mental process) and emotive (affective) factors which impact a person's decision-making under specific conditions. The foundation of behavioural finance was set by Debondt and Thaler's 1985 article "Does the stock market overreact?" which was published in the Journal of Finance.

The subject of behavioral finance examines how psychology affects the actions of financial professionals and how that influences markets. It clarifies the causes and mechanisms of market inefficiency (Sewell, 2007). Behavioral finance proponents contend that psychological knowledge is essential to comprehending why investors diverge from expected benefit when assessing risk (Popescu, 2008). When people assess risk, they deviate from predicted utility, which is explained by decision-making psychology (Prospect Theory, restricted framing, and ambiguity aversion). Heuristic driving biases in psychology of judgment explain why people depart from Baye's rule.

Regret Theory

It addresses the emotional response people have when they recognise they made a mistake in judgement. When investors are faced with the potential of selling a stock, the price at which they bought the stock affects them emotionally. In order to escape the embarrassment of reporting a loss and the remorse of having made a poor investment, they choose not to sell it. The regret theory may also apply to investors who discover that the value of a stock they had contemplated purchasing has increased. Some investors choose to buy just the companies that other investors are buying in order to minimise the potential for experiencing this regret. They justify their choice by citing "everyone else is doing it" (Michenaud & Solnik, 2008).

In accordance with the concept of regret, people prepare for regret in the event that they make the incorrect option and take this into account when making decisions. An important factor in encouraging someone to act or discouraging someone from acting is fear of regret. The regret theory has the potential to affect an investor's capacity to behave sensibly and make decisions about investments that will help them rather than hurt them.

Remorse theory has the potential to either encourage or discourage investors from taking on more risk when it comes to their investments. Let's take a scenario where an investor purchases stock in a tiny, growing company solely on the advice of a friend. The stock drops to 50% of the purchase price after six months, at which point the investor sells the stock and incurs a loss. The investor could inquire further and investigate any stocks that the friend suggests in order to steer clear of similar regret in the future. Alternatively, the investor may choose to disregard the financial fundamentals and never consider any advice from this friend.

On the other hand, let's say the friend's advice to purchase the stock was ignored by the investor, and the stock price rose by 50%. The investor may become less risk-averse and purchase any stocks that this friend suggests in the future without doing any background investigation in order to prevent the regret of missing out (Chen, 2020).

Theory of Mental Accounting

It claims that people often categorise certain events into mental sections, and that sometimes the distinctions between these compartments have a greater influence on our behaviour than the actual occurrences. The hesitancy to liquidate an investment that produced huge profits in the past but is now only yielding modest returns is the best illustration of mental accounting in investing. In a bull market and economic boom, people become used to healthy, if paper, gains. Investors are more reluctant to sell at a lower profit margin when the market recession reduces their net worth. They wait for the return of that successful time by mentally putting the earnings they once had in compartments (Thaler, 2001).

Mental accounting refers to the different values a person places on the same amount of money, based on subjective criteria, often with detrimental results. Mental accounting is a concept in the field of behavioral economics. Developed by economist Richard H. Thaler, it contends that individuals classify funds differently and therefore are prone to irrational decision-making in their spending and investment behavior.

Prospect/Loss-Aversion-Theory

It indicates that people's mental responses to wins and defeats are not the same. People get more anxious about potential losses than they do about equivalent gains. When a financial advisor reports, say, a $500,000 gain in a client's portfolio, she won't necessarily get inundated with calls from her client. However, you can know that when it registers a $500,000 loss, that phone will ring! The perception of a loss is always greater than that of an equivalent gain since money loses value when it gets deeper into our pockets. Prospect theory also helps to explain why investors hang onto failing stocks since people tend to take more chances in order to avoid losing money than to earn cashBecause of this, investors continue to hold riskier stocks in the hopes that the price will go up. Similar actions will be taken by gamblers who are losing a lot of money; they will double up on their bets in an effort to make up their losses. Therefore, we value what we possess more than we would typically be willing to pay, despite our logical desire to be compensated for the risks we incur. The idea of loss aversion suggests a further rationale for investors' decision to sell their winners and hold their losers: they can think that today's losers are going to surpass today's winners. Investing in stocks or funds that get the most attention is a usual mistake made by investors who are chasing market action. Research demonstrate that capital moves more quickly into effective mutual funds than out of underperforming ones (Kahneman & Tversky, 1979).

Prospect theory assumes that losses and gains are valued differently, and thus individuals make decisions based on perceived gains instead of perceived losses. Also known as the "loss-aversion" theory, the general concept is that if two choices are put before an individual, both equal, with one presented in terms of potential gains and the other in terms of possible losses, the former option will be chosen. The underlying explanation for an individual’s behavior, under prospect theory, is that because the choices are independent and singular, the probability of a gain or a loss is reasonably assumed as being 50/50 instead of the probability that is actually presented. Essentially, the probability of a gain is generally perceived as greater (Chen, 2020).

Over/Under Reacting Theory

It suggests that when the market rises, investors become more confident and assume that it will do so going ahead. On the opposite hand, during economic downturns, investors become exceedingly gloomy. An over- or under-reaction to market events, causing prices to fall overly on bad news and rise excessively on good news, is a result of anchoring, which is the practice of placing an excessive amount of weight on recent events while disregarding past data. When

confidence is at its highest point, stock prices are surpassed by investor greed (Hong & Stein, 1999).

Theory of Overconfidence

It states that the majority believe their own abilities to be above average. In addition, they overstate how accurate and excellent their knowledge is to that of others. A lot of individuals think they can time the market consistently. However, the overwhelming weight of the data indicates otherwise. Excessive trading due to overconfidence reduces economic viability because of trading expenses (Tapia & Yermo, 2007).

2.1.8 Factors Affecting Individual Investment Decision

The following are the major five factors which are used in most of the studies as the determining factors of individual investment decision in stock market:

The Accounting Information

Since information about enterprises is spread and may influence investor decisions, people's involvement in the stock exchange is dependent upon their confidence in the accuracy of financial reports. This is because information about companies affects price fluctuations and the volume of stock transactions. Within financial societies, exchanges for shares are seen as essential elements. People rely on accounting information because they trust companies, productive entities, and service organizations that trade shares on the stock exchange to provide accurate financial reports. This increases the security of stock exchange investing, which in turn transfers capital from non-productive to productive segments of society, resulting in improved financial growth and general well-being. (Bazrafshan et.al., 2013)

Accounting information quality has been said to play an important role in reducing information asymmetry. Thus, firms with high accounting information quality may enhance more investors' decisions. The accounting information represents an important source of information specific to the company that tends to reduce the level of information asymmetry between investors and the company and therefore contributing to a better functioning of financial markets. Adequate financial information is essential to maintain an efficient market system. Disclosure and transparency of the corporation protect the investors, and thereby enhance the investors‟ confidence in the market. Without accounting information, the market could not operate

effectively and the potential investors may be reluctant to trade because they lack sufficient information to assess the value of investment (Kothari, 2001).

Variables that loaded heavily on the accounting-information factor include the condition of the firm's financial statements, data found in annual reports and prospectuses, the results of valuation techniques (e.g., P/E and market-to-book) and expected corporate earnings. Two of the items included in the accounting-information factor-expected earnings and the condition of financial statements-are highly important to investors (Nagy & Obenberger, 1994).

Accounting information is obtained from the information content of financial statements through fundamental analysis. Fundamental analysis aims to provide data related to the company required for investment decision-making process. Investment decision in question is the decision to buy, sell, or maintain ownership of the shares. The underlying concept is that the stock value of a company is affected by financial performance of companies. Financial performance reflected in the financial statements, and through analysis of historical financial statements will be able to understand the strengths and weaknesses of the company, identify the direction and development, evaluate the operational efficiency, as well as understand the nature and operation of the company. There is the usefulness of accounting information in making investment decision, and then the presentation of accounting information is necessary in order to provide benefits for the users of financial statements to make the best investment decisions. It is suggesting that, there is relevance value between values of market and accounting (Foster, 1986).

The concept of value relevance of accounting information and the concept of decision usefulness of accounting information are interrelated. The value relevance of accounting information emphasizes on "how accounting information has value relevance for market participants (investors)?" (Beaver, 1968). Whereas, the concept of decision usefulness of accounting information emphasizes on "how financial statements can be more useful?" The consequence of this concept is that the accounting information contained in financial statements should provide the usefulness to users in terms of decision making (Scott, 2009). The concept of value relevance of accounting information is developed to explain about how investors react to the announcement of accounting information. These reactions will prove that the content of accounting information is a very important issue in making investment decision. So, it can be said that accounting information was useful for investors.

Ball and Brown (1968) prove that the accounting information is useful for investors to estimate the expected return and risk of securities. If the accounting information does not contain the information, then there will be no revision of belief after the receipt of information, so it does not

cause the decision to buy or sell. Thus, the information will be useful if it causes investors change their beliefs and actions.

Peter (1970) and Baker and Haslem (1973) in their studies to investigate the economic factors which influence the investment decisions of individual investors, identified several profitability variables such as income from dividends, rapid growth, quick profits and long-term growth. Maditinos et. al., (2007) noted that investors look at the price earnings (P/E) ratio as their first priority, earnings per share (EPS) as their second priority, the net operating profit after taxes (NOPAT) as the third priority and return on equity (ROE) as their fourth priority when choosing stocks.

The Neutral Information

Kadiyala and Rau (2004) investigated investor reaction to corporate event announcements. They concluded that investors appear to under-react to prior information as well as to information conveyed by the event, leading to different patterns. The behavioral finance literature has proposed two contradictory models of irrational investor behavior. In the first model, investors have a tendency to overreact to information, leading to a pattern of long-term return reversals when firms announce corporate events such as new issues of stock. In the second model, investors under react to information, leading to long term return continuations when firms announce corporate events such as open-market share repurchases or cash-financed tender offers. Behavioral models have been viewed with skepticism partly because they do not reconcile why investors seemingly overreact to a corporate event such as a seasoned equity offering, while seeming to under react to an event such as a share repurchase. For instance, Fama (1998) argues that behavioral models cannot explain the long run abnormal return evidence since the overreaction of investors to some events and under reaction to others implies that, on average, investors are unbiased in their reaction to information. Loughran and Ritter (1995) argue that investor overreaction explains the negative long-run abnormal returns following a seasoned equity offering (SEO), a conclusion based on the good past performance of firms announcing an SEO.

Variables that loaded heavily on the neutral information factor include coverage in the financial and general press, recent stock index returns, and recommendations by investment advisory services. Each of these variables represents an outside source of information that is perceived to be unbiased (Nagy & Obenberger, 1994). Al-Tamimi (2006) added government holdings, information obtained from the internet, statement from government officials and current economic factors to his study beside above factors under the neutral information sources.

Ikenberry, et. al., (1995) argue that investor under reaction explains the positive long-run abnormal returns following a share repurchase, a conclusion based on the information conveyed by the share repurchase itself. Lack of evidence for a common behavioral explanation bolsters (Fama's, 1998) argument that, on average, investors are unbiased in their response to information. Merikas et. al., (2004) adopted a modified questionnaire to analyze factors influencing Greek investor behavior on the Athens Stock Exchange. The results indicated that individuals base their stock purchase decisions on economic criteria combined with other diverse variables. The results also revealed that there is a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behavior of active investors in the Athens Stock Exchange (ASE) influencing by the overall trends prevailing at the time of the survey in the ASE.

The Self-Image/ Firm-Image Coincidence

Al-Tamimi, (2006). on his study, mentioned that the psychology of individual investors towards self/firm image coincidence is based on feelings to get rich quickly feeling, firm status in industry, perceived ethics of firm, reputation of the firm's shareholders, creation of organized financial markets, companies' products and firms' involvement in solving community problems

Individuals making investing decisions face a daunting task. Thousands of stocks can be purchased and the information available is overwhelming. To simplify the task, they may tend to focus on a manageable subset of stocks. Recent evidence suggests individuals give more consideration to stocks brought to their attention via news reports, magazine articles, or personal communications. Such exposure provides a coarse basis for evaluation, allowing individuals to form a mental image of a company's stock as an investment vehicle (Ackert & Church, 2006). Barber and Odean (2003) report that individuals are net buyers of stocks covered in the news. Their research suggests that individuals overvalue the importance of events that catch their attention.

Attention-grabbing or salient information may evoke affective reactions, which influence whether investors like a company. The initial impression or liking can shape individual assessments, and, in turn, guide information processing. If attention-grabbing information is positive (negative), investors may be predisposed to evaluate a company favorably (unfavorably), establishing a directional goal that affects subsequent cognitions and reasoning (Ziva, 1990).

Epstein examined the demand for social information by individual investors. The results indicate the usefulness of annual reports to corporate shareholders. Furthermore, a majority of the

shareholders surveyed also want the company to report on corporate ethics, employee relations and community involvement. Behavioral models proposed by Hong and Stein, (1999) also predict short-run return continuations and long-run return reversals. Daniel et. al., (2001) argue that informed investors are overconfident about the private signal they receive about a stock's value. Biased self-attribution reinforces their overconfidence when public information is in agreement with their private information. When public information is not in agreement with their private signal, biased self-attribution leads to dismissal of the information as noise (Epstein, 1994).

Epstein (1994) examines and reports the demand for social information by individual investors. The results indicate the usefulness of annual reports to corporate shareholders. The results also indicate a strong demand for information about product safety and quality, and about the company's environmental activities. Furthermore, a majority of the shareholders surveyed also want the company to report on corporate ethics, employee relations and community involvement.

Advocate Recommendation

There is a significant impact between advocate recommendation and individual investment decisions (Akbar et. al., (2016). Accordingly, many of the researchers have evaluated advocate recommendations by considering dimensions of brokerage house recommendation, family member opinion, friend or co-worker opinion, and recommendation of firm's majority stockholder. Among those dimensions broker recommendations have significant influence toward individual investors' decisions and family member opinions have least influence toward investment decisions (Ahmad, 2017). According to Bashir et. al., (2013) revealed that advocate recommendations have least influence on individual investment decision. According to results of the study, individuals pay their attention on family member opinions and friends' opinion than broker recommendations. They do not consider about opinions of firms' majority stockholders when compared to the broker, family and co-workers'.

Investors make decision to invest in stock market based on advocate recommendation which includes broker recommendation, family member opinions, friend or coworker recommendation and opinions of the firm's majority stakeholders (Al-Tamimi, 2006).

Malmendier and Shanthikumar (2003) tried to answer the question: Are small investor naïve? They found that large investors generate abnormal volumes of buyer-initiated trades after a positive recommendation only if the analyst is unaffiliated. Small traders exert abnormal buy pressure after all positive recommendations, including those of affiliated analysts.

Krishnan and Booker (2002) analyzed the factors influencing the decisions of investor who use analysts' recommendations to arrive at a short-term decision to hold or to sell a stock. The results indicate that a strong form of the analyst summary recommendation report, i.e., one with additional information supporting the analysts' position further, reduces the disposition error for gains and also reduces the disposition error for losses.

Personal Financial Needs

Factors included in this group are mainly related to the ability to select and manage investment activities with needs of personal consumption. Flexibility in managing investments and selecting between various investment terms and opportunities allow capitalizing and utilizing the benefits of fast paced investment environment as well as unforeseen investment options.

Demirel studied the interaction between demographic and financial behavioral factors in investment decisions. The study was carried to find the impact of demographic factors influencing individual investors' behavior. It showed that gender interacts with five financial behavioral factors i.e. Overreaction, herding, cognitive bias, irrational thinking, and overconfidence and the level of individual savings interacts with only four of the financial behavioral factors viz; overreaction, herding, cognitive bias, and irrational thinking (Demirel, 2011).

The factors that can be considered under personal financial need variable are: attractiveness of non-stock investment, personal need of diversification on investment areas, easy accessibility of personal loans, minimization of risk, and expected losses in other domestic and international investments. According to him, these are the factors which solely depend upon individual investor's situation and analysis Al- Tamimi (2006).

There is impact of anger on investment decision making as it is also a personal factor, and found the positive relationship between anger and investment decision making. They also found that angry people take risky decisions to get higher returns on their investment. In literature, researchers argued that anger increased the inclination towards perceived situation as expected. The angry people feel enthusiastic and safe while making investment decision. This situation becomes the cause of investment in risky projects Loewenstein,, (2000).

Beside these five factors, there is other some factors were used by different authors. The motivation of an investor to invest in the capital market is complex and depends on a number of factors. Some of the factors have major influence, while others have little or no role in

influencing investment decisions. Kaur and Vohra (2012) classed the factors into three main groups- stock fundamentals (economic), demographic and psychological factors. The stock fundamentals include variables such as beta, past return, risk, earnings per share, firm size, firm age, share price, share turnover and book-to-market equity ratio. The demographic factors include age, gender, income level, marital status, education and occupation, while variables such as desires, goals, prejudices, biases and emotions make up the psychological factors. This review focuses on the economic factors that influence investors in the course of investing in the capital market.

2.2 Empirical Review

2.2.1 Review of International Articles

As per research by Somathilake, (2020) on factors affecting individual investment decision in Colombo Stock Exchange (CSE) by taking accounting information, neutral information and advocate recommendation as the independent variables. The entire investigation was carried out based on 150 amounts of investors who currently engage in stock market transactions. According to the research objectives, researcher has identified that there is a positive relationship of accounting information, neutral information, and advocate recommendation with individual investment in CSE. But only neutral information and advocate recommendation have influence toward investment decisions and they do not much consider about accounting information when they get their investment decisions. Therefore, it can be concluded that above mentioned three variables are positively engage with investment decisions but only neutral information and advocate recommendation have significant influence on investment decision.

Safdar et. al, (2020) found that there is strong correlation between independent variables (accounting information, advocate recommendation, neutral information, self-image/ firm-image coincidence and personal financial needs) and dependent variable (individual investment decision). The correlation coefficient (r) values for the predictor variables accounting information, self-image/ firm-image coincidence and personal financial needs are 0.813, 0.742 and 0.855 respectively. These values indicate positively correlation with an investment decision and found statistically significant at 1% level. Whereas, the correlation coefficient (r) values for the predictor variables advocate recommendations and neutral information are 0.717 and 0.653 respectively. These values indicate positively correlation with an investment decision and found statistically significant at 5% level. Based on these findings they have concluded that Investors diversify their investment in different companies by developing a portfolio of neutral information to minimize risks and maximize returns. Advocate Recommendation also gives direction and

inspires investors to improve their performance. Firm image increases the investment profit. Accounting Information also makes an easy decision to invest in any Business. Personal Financial needs are linked to improving the standard of living and their benefits.

Durga & JaiSankar, (2018) conducted a study which aimed at identifying the variables that have most and least influence factors on the investor's investment behavior. The study was conducted by taking 33 items belongs to three main categories of independent variables: self-image, accounting information and personal financial needs. The results according to calculated mean shown that all variables are somewhat affecting the decision making behavior of individual investors of Tamil Nadu. Most important category by order of importance was: accounting information, self-image/firm image, personal financial needs. And out of all variables the most influencing six items by the order of importance were 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 related to firm's image/self-image and accounting information. And the six least influencing factors with the other classes of selected variables were Friend or coworker recommendations, Opinions of the firm's majority stockholder, recent price movement in the firm's stock, Religious Reason, Family member opinion and Broker recommendation.

As per study done by Joshi, (2018) the most influencing factor in investment decision making is reputation of the firm. The investors are assumed to focus on get rich quick notion but the data revealed that they are least influenced by it. It implies that investors are not aware about the speculative gain they can earn by grabbing the opportunity. The finding confirms that the trust of investors on broker recommendation is very limited. It implies that investors are well aware that stock brokers can easily manipulate them if they blindly rely on their recommendations while making investment decisions. Investors assume that the majority of stockholders have knowledge and information about the company and therefore their investment decision is strongly affected by their opinion. Similarly, their investment decisions are also influenced by their family and friends' opinion. Instead of relying completely on broker's recommendation, their investment decisions are also influenced by their family and friends' opinion as well. The investors value the information received from the press, statement from government officials which educate the investors about the real scenario and prevents the investors from investing in weak institutions. Investors not only invest to earn higher return but also invest to minimize the risk. It proves that they have some knowledge about financial diversification and it is due to their higher education. The investment decisions are not solely based on position of financial statement and most of

times their decisions depend on the firm's reputation, opinion of majority of stakeholder and status of the firm. This shows that investors can earn profit with the help of fundamental analysis. Also, the investors are assumed to be a rational investor but they are highly affected by their ages.

According to the study of Ahmad (2017), the most influencing top five factors on individual investment decision making on Pakistan were stock marketability, economic indicators, broker recommendation, firm status in industry and get rich quick. Broker recommendation is a factor in these factors which highly effects on the Pakistani investor. The investors are given more weightage to the broker's advice than on family members and friends/ coworker advices. The reason is that the investors believe that broker have much more accurate information related to stock investment opportunities. Out of total respondents, 78 respondents (i.e.,76.47%) responded that expected corporate earnings are the most influencing factor. Dividend paid is the second most influencing factor in which 74 respondents (i.e., 72.54%) was positive for this. The third most influencing factor was stock marketability in which 70 respondents (i.e., 68.62%) were responded for this. The fourth most influencing factor was condition of firm's financial statements where 67 respondents (i.e., 65.68%) responded for this. The fifth most influencing factors chosen by 65 respondents (i.e., 63.72%) were expected dividend.

As per the study conducted on Saudi Stock Market by Elsheikh, (2017). it is found that the most influential category in stock price determinants in the Saudi context (Najran City) was accounting information. It was followed by self-image/firm-image coincidence, personal financial needs, advocate recommendation, and neutral information. The most influential variables in stock price in the Saudi context were expected corporate earnings, reputation of the firm, dividends paid, past performance of the firm's stock, and friend or coworker's recommendations. The least influential factors in stock price in the Saudi context were opinions of the firm's majority stockholders, government holdings, broker's recommendation, expected losses in international financial markets, and coverage in the press. There were three items from accounting information category in the overall most influential items in the stock price; one item from Self- image/firm-image coincidence category, and one item from advocate recommendation. The overall least influential items in stock price included two items from neutral information category, two items from advocate recommendation, and one item from personal financial needs. Accounting information appeared to be the most influential factor in stock price in the Saudi Stock market. It was followed by self-image/firm-image coincidence, personal financial needs, advocate recommendation, and neutral information

Elsheikh's study's results coincide with several studies. For example, Al-Tamimi (2006) revealed that the most influential groups were accounting information, self-image/ firm image coincidence, neutral information, advocate recommendation, and personal financial needs. Babu (2013) concluded that the most influential determinants in investments were accounting information, neutral information, self-Image/firm-image coincidence, personal financial needs, and advocate recommendation, respectively. Rizvi and Abrar (2015) reported that accounting information was the most influential factor in the decision-making behavior of individual investors. Dharmaja et. al. (2012) concluded that accounting information was the most influential factor in the investor's behavior, while neutral information was the least influential one. Most of the respondents were influenced by the accounting information of the companies and advocate recommendation was the least influential group. However, accounting information had no priority in affecting investment decision and stock price in other studies. In Malaysia, Chong and Lai (2011) showed that neutral information was the most important factor for Malaysian investors. It was followed by accounting information, social relevance and advocates' recommendations in equity selection process. According to Ali and Tariq (2013), accounting information did not influence investor's behavior. The results of this study contrast the findings of Nagy and Obenberger (1994) that concluded that neutral information had strong influence on the investor's behavior.

Akbar et. al., (2016), on their study on Islamabad Stock Exchange, found that advocate recommendations, self-image/ firm-image coincidence and neutral information have positive significant relationship with individual investor's investment decision making. The study did not find any evidence on relationship between accounting information, classical wealth maximization and personal financial needs. It can say that most of investors in Pakistan are not making rational decisions on the basis of accounting information and most of times their decisions depend on the recommendations of stock brokers, co-works, friends and family. Individual investor's decision is strongly affected by the broker's advice. Sometime investors are making decision on the basis of family and friends' opinion. That implies that they depend on rumor. In stock market peoples are investing on basically two types of information. One is fundamental information of a company and another is rumor. A significant percentage of population is investing on rumor basis as they have little bit ideas about stock market.

Ali and Tariq (2013) conducted a study to find out factors affecting investment decision in Pakistan by taking accounting information, neutral information, personal financial needs, self-image/ firm-image coincidence and advocate recommendation as independent variables. They found that accounting information do not influence on investor behavior. This finding also depicts that investor do not behave rationally in the equity markets of Pakistan. Rational investors tend to incorporate accounting information such as financial statements, higher dividends, expected corporate earnings in their investment decision making. The study found significant influence of self-image/firm image coincidence on investor decision making. Neutral information like current economic conditions, financial press reports, price trends of securities and corporations' and commitment towards social responsibility is also having significantly positive influence on investor's decision making. Nagy and Obenberger (1994) also found neutral information having strong influence on investor behavior in their study. Advocate's recommendations including recommendations from family members, friends and co-workers and stock brokers is also having strongest and significant influence on individual investor's decision making.

S.N.	Authors (Date of Publication)	Article	Objectives	Methodology	Findings
1.	Somathilake, (2020)	Factors affecting individual investment decision in Colombo Stock Exchange (CSE)	To Identify the relationship of accounting information, neutral information, and advocate recommendation with individual investment in CSE	Exploratory	Only neutral information and advocate recommendation have influence toward investment decisions and they do not much consider about accounting information when they get their investment decisions.
2.	Safdar, et. al., (2020)	Factors Influencing Investment Decisions of Individual Investors Working in	To Identify the Correlation between Independent Variables & Dependent Variables in	Exploratory	Investors diversify their investment in different companies by developing a portfolio of neutral information to

		Hazara Division Industrial Zone	Individual Investment decision making.		minimize risks and maximize returns. Advocate Recommendation also gives direction and inspires investors to improve their performance. Firm image increases the investment profit. Accounting Information also makes an easy decision to invest in any Business. Personal Financial needs are linked to improving the standard of living and their benefits
3.	Durga & JaiSankar, (2018)	Factors Influencing Investor's Decision Through their Investments	To Identify the variables that have most and least influence factors on the investor's investment behavior	Exploratory	Most influencing Variables were, 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. Least influencing factors were Friend or coworker recommendations, Opinions of the firm's majority stockholder, recent price movement in

					the firm's stock, Religious Reason, Family member opinion and Broker recommendation
4.	Joshi, (2018)	An Analysis of Security Market Growth and Individuals' Investment Decision	To Identify the most Influencing factors for Investment Decision Making	Exploratory	Investors not only invest to earn higher return but also invest to minimize the risk The investment decisions are not solely based on position of financial statement The investors are assumed to be a rational investor but they are highly affected by their ages
5.	Ahmad,(2017)	Factors Influencing Investment Decision of Investors	To Identify the most Influencing factors for Investment Decision Making	Exploratory	The most influencing top five factors on individual investment decision making on Pakistan were stock marketability, economic indicators, broker recommendation, firm status in industry and get rich quick.
6.	Elsheikh, (2017)	Factors Affecting Stock Prices in Saudi Stock Market from the Investors' Perspective in Narjan City	To Identify the most Influencing factors for Investment Decision Making	Behavioral	Most influential category in stock price determinants in the Saudi context (Najran City) was accounting information,

					Followed by self-image/firm-image coincidence, personal financial needs, advocate recommendation, and neutral information.
7.	Akbar et. al.,(2016)	Factors Affecting the Individual Decision Making	To Identify the most Influencing factors for Investment Decision Making	Exploratory	Study on Islamabad Stock Exchange, found that: Advocate recommendations, self-image/ firm-image coincidence and neutral information have positive significant relationship with individual investor's investment decision making. The study did not find any evidence on relationship between accounting information, classical wealth maximization and personal financial needs. Most of times their decisions depend on the recommendations of stock brokers, co-works, friends

					and family. Their Investment depend on rumor.

2.2.2 Review of Nepalese Articles

Silwal, and Bajracharya, S. (2021). "Behavioral Factors Influencing Stock Investment Decision of Individuals" conducted study on Nepalese Stock Investors to identify the behavioral factors influencing individual investors' decision and to analyze the relationship between these factors and investment decision performance.

The tested variables were: Anchoring bias, Gambler's Fallacy, Overconfidence bias, Availability and Representativeness bias from heuristics factor, Mental Accounting, Loss and Regret Aversion from prospect factor and Market variables and Herding factors.

It was found in the study that prospect behavioral factor is seen to have negative correlation to investment performance. Herding, Market variables and Heuristic

(Including overconfidence and anchoring bias) are found to have positive correlation to Investment performance).

Pandey et. al., (2020) conducted a study on "The Psychology of Investors in Nepalese Stock Market and Investment Decisions" and found that the investors were agreed on firms' image and self-worth coincidences have impact while making investment decision on stock. The company's social responsibility factor was not taken in high priority at the time of investment decision. The investors were evaluating the past performance and the dividend policy of the firm as the basis of investment decision. The friends' recommendations always worked on investor's psychology. On the other hand, the rate of economic indicators and stock price movements has impeccable role on investor's investment decision. The investors were generating the funds from loan. The five most vital factors affecting the psychology of investors in investment decisions were current economic indicators, study of past performance of the firm's stock, feeling to urge risk quickly, dividend policy, and statement of governmental officials. Whereas, the five least important factors affecting individual investment decisions were ethical value, suggestions from broker houses, opinion of the relatives, feelings for a company's products and firm's involvement in solving community problems. Self-image/ firm-image coincidence was highly positive correlation (i.e.0.721) with investment decision. Accounting Information (0.512), advocate recommendation (0.698) and personal financial needs (0.648) were moderately correlated with investment decisions and neutral information (0.301) had

low direct correlation with investment decision. In conclusion, self-image and firm image coincidence, accounting information, advocate recommendation, and personal financial needs have significant impact on the psychology of investors in investment decision on Nepalese stock market.

Vaidya (2021) examined the qualitative analysis on investment decisions of Nepalese stock market investors. The paper attempts to examine the experience of the Nepalese investors at the secondary market. The paper explored the investment decisions process of the Nepalese investors. The paper was adopted the grounded theory to generate the theory from the data collected from the semi-structured interview from the stock market investors having an academic background in management. The findings revealed that the investors are eager to invest in the stock market and go for a better experience from their trading at the NEPSE floor. The study exposed a mixed opinion in context to the understanding of the macroeconomic aspects and their influence on investment decisions. The investors forwarded that there is no relation between their investment decision-making process and the macroeconomic factors, while some of the investors stated that they see a connection of the economy with the stock market directly or indirectly. The study came out that the major concern of the Nepalese investors is a fundamental aspect of the listed companies while selecting for an investment at the same time, investors stated that they go for technical analysis or follow the market trend for the short-term trading at NEPSE floor. The investors were seen at one point that the unstable political situation and insider trading have been major challenges, in context to the Nepalese stock market. Finally, the excessive flow of information related to the listed companies either with some validity or not, made an investor's investment decisions go wrong.

Rana (2019) explored the factors affecting individual investors stock investment decision in Nepal. This paper attempts to explore the factors associated with individual investors' stock investment decision in the context of stock market in Nepal. The study also aims to examine the relative importance of investment decision factors as perceived by investors based on their demographic characteristics. The study uses a sample responses of 106 individual investors obtained through structured questionnaire survey during the period January to April, 2019. The study employs exploratory factor analysis to extract the common factors affecting stock investment decisions of the sample investors. The results of factor analysis show that six factors, namely Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision Making Factors are the common factors affecting stock investment decision of the

sample investors in Nepal. The results also show that among the six factors extracted, Fundamental Market Factors have high relative importance as perceived by the sample investors.

Dangol and Shakya (2017) examined the investment pattern of financially literate persons in Nepal. The paper investigates the investment pattern of financially literate persons based on 314 individual investors of Nepal. The mean, ANOVA and logistic regression is used. The results show that investors were higher level of financial literacy level. Among them, male participants, investors of age group 20-30 and income level of Rs 50,001 and above scored higher in financial literacy. The financial literacy increased with increase in the education level as well as the income level. The study reveals that there were differences between investment patterns among the high and low financially literate persons. These groups differ in term of their investment preferences, investment objectives, investment tenure, sources of investment advices and awareness level. Summing up all the findings of this study, it can be concluded that there is difference in investment pattern of high and low financially literate person.

S.N.	Authors (Date of Pulication)	Article	Objectives	Methodology	Findings
1.	Vaidya, (2021)	Qualitative Analysis on Investment Decisions of Nepalese Stock Market Investors	To examine the experience of the Nepalese investors at the secondary market.	Exploratory	The investors are eager to invest in the stock market and go for a better experience from their trading at the NEPSE floor. Mixed opinion in context to the understanding of the macroeconomic aspects and their influence on investment decisions Most of the Investors forwarded that there is no relation between their investment decision-making process and the macroeconomic

					factors Some of the investors stated that they see a connection of the economy with the stock market directly or indirectly Major concern of the Nepalese investors is a fundamental aspect of the listed companies & technical analysis while selecting for an investment Unstable political situation and insider trading have been major challenges, in context to the Nepalese stock market Flow of excess information of companies made an investors decisions goes wrong.
2.	Silwal and Bajracharya, (2021).	Behavioral Factors Influencing Stock Investment Decision of Individuals	To Identify the most Influencing factors for Investment Decision Making	Exploratory and Confirmatory	Conducted study on Nepalese Stock Investors to identify the behavioral factors influencing individual investors' decision and to analyze the

					relationship between these factors and investment decision performance The tested variables were: Anchoring bias, Gambler's Fallacy, Overconfidence bias, Availability and Representativeness bias from heuristics factor, Mental Accounting, Loss and Regret Aversion from prospect factor and Market variables and Herding factors. It was found in the study that prospect behavioral factor is seen to have negative correlation to investment performance. Herding, Market variables and Heuristic (Including overconfidence and anchoring bias) are found to have positive correlation to Investment performance

3.	Pandey et. al., (2020)	The Psychology of Investors in Nepalese Stock Market and Investment Decisions	To Identify the most Influencing factors for Investment Decision Making	Exploratory	Found that the investors were agreed on firms' image and self-worth coincidences The company's social responsibility factor was not taken in high priority at the time of investment decision The investors were evaluating the past performance and the dividend policy of the firm as the basis of investment decision The friends 'recommendations always worked on investor's psychology. Vital factors affecting the psychology of investors in investment decisions were current economic indicators, study of past performance of the firm's stock, feeling to urge risk quickly, dividend policy, and statement of

					governmental officials
4.	Rana, (2019)	Factors Affecting Individual Investors Stock Investment Decision in Nepal.	Factors associated with individual investors' stock investment decision in the context of stock market in Nepal	Exploratory	Six factors considered, namely Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision Making Factors The study uses a sample responses of 106 individual investors obtained through structured questionnaire survey during the period January to April, 2019 Fundamental Market Factors have high relative importance as perceived by the sampleinvestors for Investment decision making.
5.	Dangol & Shakya (2017)	Investment Pattern of Financially Literate Persons in Nepal	To find out the investment pattern of financially literate individual investors in Nepal	Exploratory	The mean, ANOVA and logistic regression is used The study uses a sample responses of 314 individual investors.

					The financial literacyincreased with increase in the education level as well as the income level. There were differences between investment patterns among the high and low financially literate persons.

2.3 Research Gap

A review of the literature on role of financial behavior on individual investment decision shows that most of the studies carried out on the apparent approach by taking the most common Indicators in consideration. During the review of previous thesis, it is found that no researcher has been conducted by taking these sample companies, which the researcher has selected in this research.

It is believed that this study will fulfill the gap, which had been made by the earlier researcher. Researcher has taken sample from only the investors in Nepalese Stock Market. The research has been conducted on financial behavior related to stock market efficiency by using share brokers, market analysts and individual investors as primary sources of information. There was a need to conduct a survey with the share brokers, market analyzers and individual investors who are the major stakeholders of the stock market.

Furthermore, it shows that there is very few research works conducted on various aspects of behavioral finance. Various quantitative and qualitative factors effect on individual investment decision. Many studies documented self-image/firms image coincidence, accounting information, advocate recommendation, neutral information and personal financial needs are most influencing factors of behavioral finance. Most of the studies did not consider about that

factor which impact on individual investment decision (Abul, 2019).Since, this study is totally different from the national and international researchers who have done their research on this particular subject. And also this study has analyzed about role of behavioral finance as well as individual investment decision which makes it completely different from other research work till now. Thus, the research work may be helpful for investor to find out the inflecting factor of behavioral finance and level of individual investment decision.

CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

This chapter is designed to explain the research methods used to meet the stated objectives of the study. It explores the research process regarding the perception of individual investors towards investment in Nepalese stock market. This chapter hence provides information about research design, sources of data collection, instrument used, data collection procedures, pilot study, population and sampling, instrumentation, administration of instrument and data analysis plan. The primary objective of this chapter is to highlight the methods and procedure utilized to get the most accurate result following the set objective of the research and testing the hypothesis.

3.1 Research Design

Research design presents a series of guide posts to enable the researchers to progress in right direction in order to achieve the goals. To achieve the objective of this study causal and descriptive research design had been used. In this research work, the pre- tested questionnaire was used to collect the data through self- administered form. The research finding was based on quantitative data collected by distributing questionnaire to the respondents.

3.2 Population and Sample and Sampling Design

The sample population for this study is the individual investors who are actively investing in Nepalese stock market and are mainly residing in Kathmandu Valley. The target population are considered those who are investing in Nepalese stock market via IPO & secondary market through using online platforms such as, Mero Share & Brokers Account (Secondary Market Account).

On the basis of probability sampling sample size was determined by using following formula:

$$\text{Necessary Sample Size} = \frac{(\text{Z-score})^2 \text{x} \text{Std Dev} \times (1\text{-Std Dev})}{(\text{Margin of error})^2}$$

Here's a worked example, assuming the 95% confidence level, 0.5 standard deviation, and a margin of error (confidence interval) of +/- 5%.

$$\text{Sample Size} = \frac{((1.96)^2 \times .5(.5))}{(0.5)^2}$$

$$= 384.16 \approx 384$$

384 respondents were needed for this study. Thus 547 respondents were taken as a sample. In order to carry out this research, questionnaires were distributed to respondents in person whose email address were known to the researcher and through email and social website such as Facebook, Instagram, Viber & WhatsApp. All the 547 investors responded by filling the questionnaires. So the response rate was 100%.

3.3 Nature and Sources of Data and the Instrument of Data Collection

This study was mainly based on the primary data collection from the individual investors who are actively investing in Nepalese stock market.

The questionnaire includes 5-Point Liker scale was used where value of 1 means strongly disagree and 5 means strongly agree.

Most part of the questionnaire was adopted from the journal article named "The Psychology of Investors in Nepalese Stock Market and Investment Decisions" written by (Pandey,Risal, & Chauhan, (2020).

This questionnaire includes information regarding demographic variables namely gender, age, academic qualification, occupation, level of monthly income and experience at stock market.

3.4 Method of Analysis

In this research causal and descriptive statistics were used for driving essence of the research data and interpret them .Descriptive statistics tools like mean and standard deviation used to describe result obtained and causal statistics was used to show the relationship between dependent variables and independent variable. Data were presented table which makes easier to analyze and understand the data. In inferential

statistics correlation and regression were tested for the reliability of model. The collected data were processed, analyzed and interpreted by using several tools like SPSS, Ms-excel, and Ms-word etc

Reliability Test

Table 3.4.1

Test of Reliability

Variable	Cronbachs Alpha	Number of Items
Accounting Information	.955	5
Advocate Recommendations	.963	4
Self-image/Firm-image coincidence	.976	4
Neutral Information	.920	4
Personal Financial Needs	.954	4
Investment Decision	.911	4
Overall	.985	6

Cronbachs alpha (α) was used to test the reliability of the study. It is used to measure the internal consistency, reliability of measurements which were in the form of continuous variables like 5 point Likert Scale. Cronbachs Alpha ensures that the instrument is free from any biases. Cronbachs Alpha is also known as coefficient of reliability (or consistency). The criteria of Cronbach's alpha for establishing the internal consistency reliability is: Excellent ($\alpha>0.9$), Good ($0.7<\alpha<0.9$), Acceptable ($0.6<\alpha<0.7$), Poor ($0.5<\alpha<0.6$), Unacceptable ($\alpha<0.5$).

Table 3.4.1 highlights the value of Cronbachs Alpha for overall variables under the study was greater than 0.7 (i.e. 0.985), which support the notion that the study was reliable. In this study Self-image/Firm-image coincidence was highest Cronbach's alpha value (0.976). This shows the highest reliability in internal consistency of questions followed by Advocate Recommendations (0.963),Accounting Information (0.955), Personal Financial Needs (0.954) and Neutral Information

(0.920) and individual investment decision (0.911) which shows that data was highly reliability in internal consistency. Thus, the value of Cronbachs Alpha for overall variables under the study was greater than 0.7, which support the notion that the study was reliable.

Correlation Coefficients Analysis

Correlation coefficients are used to measure how strong a relationship is between two variables. There are several types of correlation coefficient, but the most popular is Pearson's. Pearson's correlation (also called Pearson's R) is a correlation coefficient commonly used in linear regression. The Pearson's correlation is used under this study. It is calculated by using following formula:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[\, n\sum x^2 - (\sum x)^2 \,][\, n\sum y^2 - (\sum y)^2 \,]}}$$

Where, r = correlation coefficient

n = no. of year

$\sum x$ = Sum of series X

$\sum y$ =Sum of series Y

$\sum xy$= Sum of the product X and

$(\sum x)^2$ = Sum of squares of series X

$(\sum y)^2$ = Sum of squares of series Y

The correlation coefficient can take a range of values from +1 to -1. Positive correlation coefficient means that if one variable increases, the other variable also increases, so they tend to move in the same direction. Negative correlation coefficient means that if one variable increases, other variable decreases, and vice-versa. When correlation coefficient is close to zero variables have no linear

relationship.

Multiple Regression Analysis

Regression analysis is a set of statistical processes for estimating the relationships between a dependent variable and one or more independent variables . The most common form of regression analysis is linear regression, in which one finds the line that most closely fits the data according to a specific mathematical criterion. It is calculated by using following formula:

$$Y= \beta0+\beta1\ X1 +\beta2\ X2 +\beta3\ X3 +X4\beta4+X5\beta5 \qquad \varepsilon i$$

Where, Y = Investment Decision

β0 = Constant parameter

β1, β2, β3 and β4 are the parameters to be estimated

X1 = Accounting Information

X2 = Advocate Recommendations

X3 = Self Image/Firm's Image

X4 = Neutral Information

X5 = Personal Financial Needs

β1, β2, β3, β4 and β5represent units change in the dependent variable as a result of a unit change in the respective independent variable and it is the proportion of positive effect. The test for significance of coefficient of multiple correlations was determined. This test checked the significance of the whole regression model with the prediction that all the independent variables had effects on the dependent variable.

Arithmetic Mean

Arithmetic mean is the number which is obtained by adding the various numbers of all the items of a series and dividing the total by the number of items. Arithmetic mean is a useful instrument in statistical analysis.

The most popular and widely used measure of representing the entire date by one value is what most laymen call an average and what the statisticians call the arithmetic mean.

Thus,

$$Formula: \bar{X} = \frac{\sum X}{N}$$

Here,

$\bar{X} = Mean$

$\sum X = Sum\ of\ the\ observations$

$N = Number\ of\ observations$

Standard Deviation (S.D)

The standard deviation is measures of the absolute dispersion of a set of data from its mean. It measures the absolute variability of a distribution; the higher the dispersion or variability, the greater is the standard deviation and greater will be the magnitude of the deviation of the value from their mean.

Formula,

$$\sigma = \sqrt{\frac{\sum\ (x - \bar{x})^2}{n}}$$

σ = standard deviation

$\sum$ = sum of

x = each value in the data set

$\bar{x}$ = mean of all values in the data set

n = number of value in the data set

3.5 Research Framework and Definition of Variables

Research framework is a scheme of concept (variables) which the researchers operationalize in order to achieve the set objective for the research conducted. Variable is a measure characteristic that assumes different values among subject. Independent variables are those variables that researcher manipulates in order to determine its effect of influence on another variable. Dependent variable attempts to indicate the total influence arising from the influence of the independent variable (Pant, 2016).

Hence, based on above theories and literature, conceptual framework of this study has been developed by accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financialneeds as deterministic variables. Similarly demographic characteristics such as age, gender, type of employment, monthly income and education level are considered as moderating variables and individual investment decisions as a dependent variable.

Thus based on Pandey et. al., (2020) research model has been adapted and developed as follow:

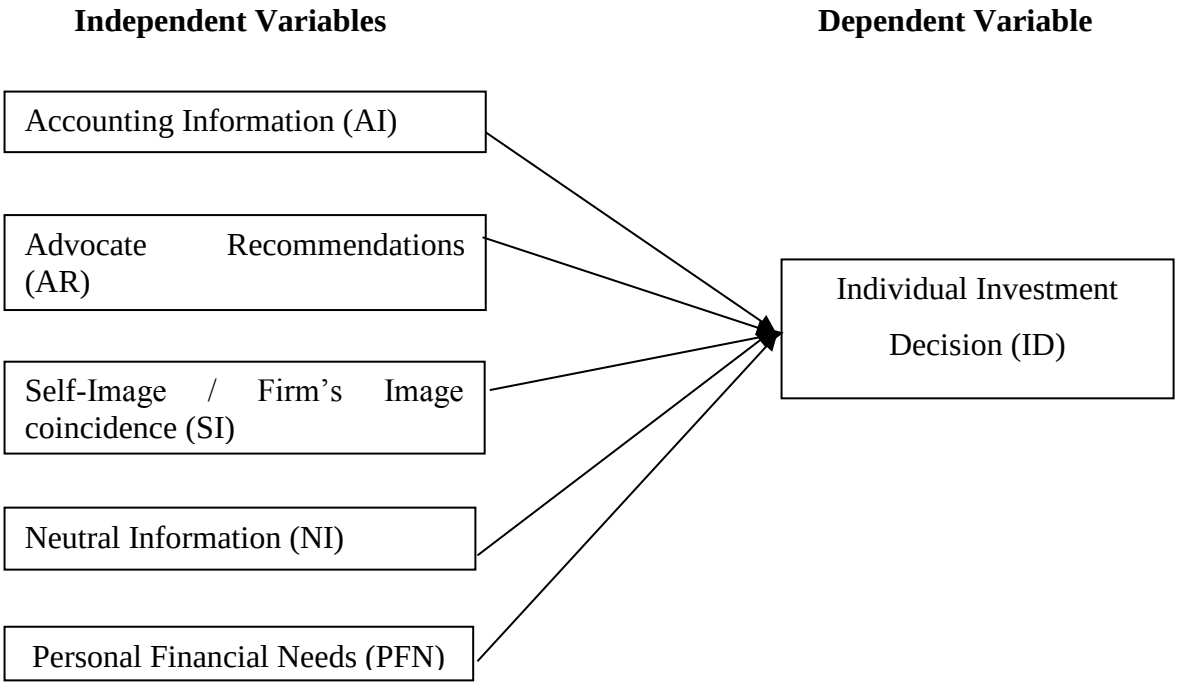

Figure: Research Framework of the Study

Definitions of Variables:

- Accounting Information

Accounting information can be defined as the information about the company's financial information such as the information presented in financial statements, data found in annual reports and prospectuses, the results of valuation techniques (e.g., P/E and market-to-book) and expected corporate earnings. The accounting information is generated by analyzing the company's past and present financial performance and used in predicting the future outcome (Nagy & Obenberger, 1994).

- Advocate Recommendations

The factor 'advocate recommendations' can be defined as the combination of broker recommendation, family member opinions, friend or coworker recommendation and opinions of the firm's majority stakeholders (Al-Tamimi, 2006). Some investors consider the suggestions from brokers, their friends and families as well as from the related analysts to assist their investment decision while some other may not trust or consider the suggestions of these parties. However, to consider or not to consider the recommendations is solely based upon their own opinion and decision. The recommendations from these parties may or may not be always fruitful.

- Self-image/Firm-image Coincidence

This variable is about the perception of investors about the firm's image and activities. Variables that loaded heavily on the Self-image/Firm-image Coincidence factor are firm status in industry, perceived ethics of firm, reputation of the firm's shareholders, creation of organized financial markets, companies products and firms involvement in solving community problems. This variable is about how the individual investor perceives about company's image and uses this information on his/her investment decision.. Investors make inference of this while deciding whether to invest or not in that particular company's stock (Al-Tamimi, 2006).

- Neutral Information

Neutral information is that information which can be obtained from many unbiased sources. Variables that loaded heavily on the neutral information factor include coverage in the financial and general press, recent stock index returns, and recommendations by investment advisory services. Each of these variables represents

an outside source of information that is perceived to be unbiased (Nagy & Obenberger, 1994). Besides those factors, Al-Tamimi (2006) added government holdings, information obtained from the internet, statement from government officials and current economic factors to his study under the neutral information sources.

- Personal Financial Needs

The variable ‘personal financial needs’ is about whether the investor is capable and prepared financially for making investment in stock market or not. Factors included in this group are mainly related to the ability to select and manage investment activities with needs of personal consumption.

According to Al- Tamimi (2006) the factors that can be considered under personal financial need variable are: attractiveness of non-stock investment, personal need of diversification on investment areas, easy accessibility of personal loans, minimization of risk, and expected losses in other domestic and international investments. According to him, these are the factors which solely depend upon individual investor's situation and preparation

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Results

This Chapter is intended to analyze and interpret the data collected during the study and present the result of the questionnaire survey. The main objective of this research study is expected to accomplish with the outcomes derived from the analysis of the data in this chapter. This section is further divided into two sub- sections. The first past deals with the respondent's profile. It gives the demographic representation of the respondents such as age, gender, level of personal income, academic qualification, occupation, and experience in share market. The second part deals with analysis and interpretation of the collected data through mean, standard deviation, correlation of dependent and independent variables as well as Regression analysis.

4.2 Demographic Background of the Respondents

This section deals with the demographic characteristics of different respondents who have participated in the study. The respondent's profile includes age group, gender, level of personal income, academic qualification, occupation and experience in share market. 547 respondents have taken part in this study and the respond rate is 100%

Table 4.2. 1 Age Wise Distribution of Respondents

Age Group	Frequency	Percentage
Under 30 years	224	40.95%
30-50 years	207	37.84%
Above 50 years	116	21.21%
Total	547	100.00%

Table 4.2.1 shows the distribution of respondents based on their age group. Out of all 457 respondents, most of the respondents are from age group under30 years, which comprise 40.95% percent and least from above 50 years category as there were only 21.21%

Table 4.2. 2 Distribution of Respondents Based on Gender

Gender	Frequency	Percentage
Male	237	43.32%
Female	309	56.48%
Others	1	0.20%
Total	547	100.00%

Table 4.2.2 shows the distribution of respondents based on their gender. Out of all 457 respondents, female respondents are higher consisting 56.48%.

Table 4.2. 3 Distribution of respondents based on Academic Qualification

Academic Qualification	Frequency	Percentage
Bachelor's	83	15.16%
Master's	232	42.42%
Above Master's	232	42.42%
Total	547	100.00%

Table 4.2.3 shows the distribution of respondents based on the academic qualification. As a result, highest proportion of respondents is from Bachelor's & Master's degree group were 42.42%.

Table 4.2. 4 Distribution of respondents based on Occupation

Occupation	Frequency	Percentage
Contractual	204	37.29%
Permanent	343	62.71%
Total	547	100.00%

Table 4.2.4 shows the distribution of respondents based on their occupation. Among the different occupation groups, majority of the respondents were permanent job holders comprising 62.71%

.

Table 4.2. 5 Distribution of respondents based on level of Monthly Income

Personal Income (In NPR)	Frequency	Percentage
Below 30,000	212	38.75%
30,000-50,000	288	52.65%
Above 50,000	47	8.60%
Total	547	100.00%

Table 4.2.5 shows the distribution of respondents based on the level of monthly income of respondents.. Among all respondents of 547, respondents having personal income between 30000-50000 have contributed more consisting of 52.65% and least number of respondents were from category above 50,000 consisting of 8.60%

4.3 Descriptive Statistics of Dependent and Independent Variables

Descriptive Statistics focused on calculation of statistic measure such as mean, median and standard deviation. Descriptive statistics helps to understand the nature and characteristics of the data collected. Descriptive statistics describes the characteristics of the data by using mean, median and standard deviation and other statistic calculation. Independent variables used in this study are factors that affect individual investor's investment decision on Nepalese stock market which include accounting information, advocate recommendation, self-image/firm-image coincidence, neutral information and personal financial needs to measure the impact on investment decision of Nepalese individual investors of share market.

For this study, "Five Point Likert Scale" statements were presented to the respondents

1 – Strongly Disagree

2 – Disagree

3 – Neutral

4 – Agree

5- Strongly Agree

The sum of all value from 1 to 5 equals to 15 and divided by number of items gives mean value of the item that is 3. The mean value of item greater than 3 indicates that

majority of respondents have inclination towards “agree” end of the statements and mean value below than 3 indicates that majority of respondents are inclined towards “disagree” end of the provided statements. Standard deviation indicates the variation in the value from the mean value.

4.3.1 Accounting Information

Five statements were presented regarding accounting information factor for respondents. The following table shows the rating scale of respondents in following five statements as well as its descriptive characteristics.

Table 4.3. 1 Accounting Information

Statements	N	Mean	Std. Deviation
I study the past performance of the firm’s stock before making investment decision	547	4.102	0.835
I check firm’s dividend policy while making investment decision	547	4.143	0.811
I review the income statement and balance sheet of the company before investment.	547	3.413	1.183
The expected corporate earnings of firm attract me for investment.	547	3.444	1.091
Reasonable market price of a firm’s share attracts me for investment	547	4.21	0.901
Accounting information (overall)	547	3.863	.898

Table 4.3.1 shows the descriptive characteristics of the response in the particular category called accounting information.

Among the five statements “I study the past performance of the firm’s stock before making investment decision”,” I check firm’s dividend policy while making investment decision” and “The expected corporate earnings of firm attract me for investment” were mean value 4.102, 4.143 and 3.444 with standard deviation of 0.835, 0.811 and 1.091 respectively. In the same way statement “I review the income

statement and balance sheet of the company before investment." was the least mean i.e. 3.413 with the standard deviation of 1.183, whereas statement "Reasonable market price of a firm's share attracts me for investment "was highest mean i.e. 4.210 with the standard deviation of 0.901. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). Here overall mean value was 3.863 with standard deviation 0.898 which presents the independent factor (i.e. Accounting Information) on individual investment decision

4.3.2 Advocate Recommendation

Four statements were presented regarding advocate recommendation related factors for respondents. The following table shows the mean and standard deviation of responses provided by respondents in following four statements.

Table 4.3. 2 Advocate Recommendation

Statements	N	Mean	Std. Deviation
I consider the recommendations from my friends while making my investment decision	547	2.976	1.390
Suggestions of other people help in my investment decision	547	3.291	1.103
I get suggestions from broker easily and follows its suggestions	547	3.594	1.185
I consider the opinion of my family members to make investment decision	547	3.510	1.190
Advocate recommendations (overall)	547	3.343	1.159

Table 4.3.2 shows the descriptive characteristics of the response in the statements that represents variable advocate recommendation. Among the four statements "I get suggestions from broker easily and follows its suggestions" was highest mean i.e. 3.594 with the standard deviation of 1.185 and the statement "I consider the recommendations from my friends while making my investment decision" was least mean i.e. 2.976 with the standard deviation of 1.390. Whereas statements "Suggestions of other people help in my investment decision" and "I consider the opinion of my family members to make investment decision" were mean value of 3.291 and 3.510 with standard deviation of 1.103 and 1.190. The respondent was in

between Strongly Disagree (1) and Strongly Agree (5). The overall mean of Advocate Recommendation was 3.343 with standard deviation of 1.159. Thus, this table presents that the independent factor (i.e. Advocate Recommendation) on individual investment decision through descriptive analysis was not bad.

4.3.3 Self-image/Firm-image coincidence

Four statements were presented under the factor 'Self-image/Firm-image Coincidence' for respondents. Following table shows the rating scale of respondents in following four statements as well as its descriptive characteristics.

Table 4.3. 3 Self-image/Firm-image Coincidence

Statements	N	Mean	Std. Deviation
My investment decision is influenced by the feeling of 'getting rich quickly'	547	3.077	1.438
I select the company to invest on the basis of its status in the industry.	547	3.106	1.352
Perceived ethics of company affects my investment decision.	547	2.475	1.360
The feeling on company's products and services affects my investment decision.	547	3.146	1.254
Self-image/firm-image coincidence (overall)	547	2.951	1.306

Table 4.3.3 shows the descriptive characteristics of the response in the statements that represent the variable Self-image/Firm-image Coincidence. Among the four statements "The feeling on company's products and services affects my investment decision" was highest mean i.e. 3.146 with the standard deviation of 1.254 followed by statements "I select the company to invest on the basis of its status in the industry" and "My investment decision is influenced by the feeling of 'getting rich quickly'" with mean value of 3.106 and 3.077, where standard deviation of 1.352 and 1.438 respectively. The statement "Perceived ethics of company affects my investment decision." was the least mean 2.475 with the standard deviation of 1.360. The respondent was in between Strongly Disagree (1) and Strongly Agree

(5). Thus, this section presents the independent factor (i.e. Self-Image/Firm Image Coincidence) on individual investment decision through descriptive analysis was not god and also not bad.

4.3.4 Neutral Information

Four statements were presented representing neutral information for respondents. Following table shows the rating scale of respondents in following four statements as well as its descriptive characteristics.

Table 4.3. 4 Neutral Information

Statements	N	Mean	SD
I analyze current economic indicators like interest rate, inflation etc. before making my investment decision	547	4.251	0.963
Statements of governmental officials like NRB, NEPSE, and SEBON influence my investment decision.	547	4.144	0.705
Recent price fluctuation in a firm's stock has impact on my investment decision	547	4.068	0.821
Coverage in the news about company affects my investment decision	547	3.201	1.293
Neutral information (overall)	547	3.916	0.872

Table 4.3.4 shows the descriptive characteristics of response in the statement that represents the variable Neutral Information. Among the four statements "I analyze current economic indicators like interest rate, inflation etc. before making my investment decision" was highest mean value i.e. 4.251 with the standard deviation of 0.963 and the statement "Coverage in the news about company affects my investment decision" was the least mean 3.201 with the standard deviation of 1.293. Whereas statements "Statements of governmental officials like NRB, NEPSE, and SEBON influence my investment decision" and "Recent price fluctuation in a firm's stock has impact on my investment decision" were mean value of 4.144 and 4.068 with standard deviation of 0.705 and 0.821. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). The

overall mean value of economic condition was 3.916 with standard deviation of 0.872. Thus, this section presents that the independent factor (i.e. Neutral Information) on individual investment decision through descriptive analysis was not bad.

4.3.5 Personal Financial Needs

Four statements were presented representing the variable Personal Financial Needs for respondents. The following table shows the mean and standard deviation value of rating scale provided by respondents in following four statements.

Table 4.2. 5 Personal Financial Needs

Statements	N	Mean	SD
Easy accessibility of loans influences my investment decision.	547	3.384	0.803
I make investment on stocks on the basis of size of investment capital required.	547	3.269	0.663
I make investment in stock market in order to create more diversification in my investment areas.	547	3.340	0.687
I make investment on the basis of attractiveness of non-stock investment such as real estate	547	3.916	0.721
Personal financial needs (overall)	547	3.477	1.025

Table 4.3.5 shows the descriptive characteristics of the response in the statements that represents the variable personal financial needs. Among the four statements “I make investment on the basis of attractiveness of non-stock investment such as real estate” was highest mean value i.e. 3.916 with the standard deviation of 0.916 followed by statements “Easy accessibility of loans influences my investment decision” and “I make investment in stock market in order to create more diversification in my investment areas.” with mean value of 3.384 and 3.340, where value of standard deviation were 1.086 and 1.100 respectively. The statement “I make investment on stocks on the basis of size of investment capital required” was least mean value i.e.

3.269 with the standard deviation of 1.246. The overall mean value of Personal Financial Needs was 3.477 with standard deviation of 1.025. That's why, this section presents the independent factor (i.e. Personal Financial Needs**)** on individual investment decision through descriptive analysis was good.

4.3.6 Individual Investment Decision

Four statements were presented representing dependent variable i.e. individual investment decision for respondents. Following table shows the rating scale of respondents in following four statements as well as its descriptive characteristics.

Table 4.3. 6 Individual Investment Decision

Statements	N	Mean	Std. Deviation
I make investment in stock market by evaluating company's financial performance.	547	2.645	1.303
I purchase the firm's stock by analyzing the industry prospect (e.g. Industry's growth rate).	547	4.278	0.864
I rarely rely on recommendation of friends, brokers and others while making investment decision.	547	3.978	0.676
I do not follow rumors and mass regarding stock market while buying/selling stocks.	547	4.048	0.735
Individual investment decision (overall)	547	3.737	0.824

Table 4.3.6 shows the descriptive characteristics of the response in the statements that represents the dependent variable called individual investment decision. Among the four statements "I do not follow rumors and mass regarding stock market while buying/selling stocks." and "I rarely rely on recommendation of friends, brokers and others while making investment decision." were mean value of 4.048 and 3.978 with standard deviation of 0.735 and 0.676. The statement "I purchase the firm's stock by analyzing the industry prospect (e.g. Industry's growth rate)." was highest mean value i.e. 4.278 with the standard deviation of 0.864 and the statement "I make investment in stock market by evaluating company's financial performance" was the least mean value (i.e. 2.645) with the standard deviation of 1.303. In this study, the level of individual investment decision includes four different statements that were measured

in five pointed Likert Scale: 1- Strongly Disagree to 5- Strongly Agree.

The overall mean value of individual investment decision was 3.737 with standard deviation of 0.824. Thus, this section shows that the level of individual investment decision through descriptive analysis was good.

Summary of all Variables (Dependent & Independent)

This section presents the scenario of all variables of the study that are dependent variable (investment decision) and independent variables (Accounting information, Advocate recommendation, Self-image/Firm-image coincidence, Neutral information and Personal financial needs) through descriptive study. This study includes six different statements that were measured in five pointed Likert Scale: 1- Strongly Disagree to 5- Strongly Agree

Overall Summary of all Variables

Statements	N	Mean	Std. Deviation
Accounting Information	547	3.863	0.898
Advocate Recommendation	547	3.343	1.159
Self-image/Firm image Coincidence	547	2.951	1.306
Neutral Information	547	3.916	0.872
Personal Financial Needs	547	3.477	1.025
Individual Investment Decision	547	3.737	0.824

The above table shows the summary of all the variables of the study through descriptive statistical analysis. The magnitude of individual investment decision of investor was 3.737 with standard deviation of 0.824 which means level of individual investment decision was high within the investors on share market. Among the factor of individual investment decision "Neutral Information" was highest mean value i.e. 3.916 with standard deviation of 0.872 followed by "Accounting Information", "Personal Financial Needs" and "Advocate Recommendation" with mean value of 3.863, 3.477 and 3.343 where standard deviation was 0.898, 1.025 and 1.159 respectively. And factor "Self-image/Firm image Coincidence" was least mean value i.e. 2.951 with standard deviation of 1.306. Thus, this section presents the dependent

and independent factor through descriptive analysis which was not bad.

4.4. Correlation Analysis

The degree of a linear link between a separate component and the level of an investment decision is presented by correlation analysis. The range of values of the correlation coefficient is 1 to -1. A positive relationship can be defined when a correlation coefficient between two variables is larger than 0, and a negative relationship is declared to exist when the correlation value is less than 0. Negative correlation is just the opposite of positive correlation, which causes the values in the variable to move similarly in the same direction. Because of the positive correlation, we can therefore conclude that when the independent variable rises or falls, the dependent variable similarly moves in line with it.

Table 4.4. Correlation Coefficient

Variables	N	Individual Investment Decision	Sig. (P-value)
		Pearson Correlation	
Individual Investment Decision	547	1	
Accounting Information	547	0.962	0.000
Advocate Recommendations	547	0.917	0.000
Self-image/Firm-image Coincidence	547	0.891	0.000
Neutral Information	547	0.957	0.000
Personal Financial Needs	547	0.927	0.000

Table 4.4 shows the correlation coefficient between and among the dependent and independent variables. Where by the respondents N is 547 and the significant level is 0.01. According to the correlation, the range of the output is between -1 to 1. A positive value indicates that the variables are positively related while a negative value indicates that the variables are negatively related.

There was significant positive relationship between Accounting Information (r=.962, sig= .000), Advocate Recommendation (r=.917, sig= .000), Self-image/Firm-image Coincidence (r=.891, sig= .000), Neutral Information (r=.957, sig= .000) and Personal Financial Needs (r=.927, sig= .000) with individual investment decision. The objective of the table was to ascertain the connection between the variables that affect investment actions as they are applied to each individual investment choice and all dependent variables. The results indicated a substantial relationship between the factors influencing investing behaviours and individual investment choices including accounting information, neutral information, coincidence between one's own image and that of the firm, neutral information, and personal financial needs.

4.5. Multiple Regression Analysis

To determine the causal connection between both independent and dependent variables, regression analysis is used. It shows the linear relationship between dependent and independent variable and its degree as well as intensity. Moreover, the model of regression analysis is used for the prediction purpose. Here, the regression between the independent variables and individual investment decisions in the form of stepwise was analyzed.

Table 4.5.

Regression Results

Model		Beta	t	Sig.
1	(Constant)	0.167	2.846	0.005
	Accounting Information	0.659	10.664	0
	Advocate Recommendation	-0.175	-3.015	0.003
	Self-image/Firm-image Coincidence	0.175	4.448	0
	Neutral Information	0.48	9.035	0
	Personal Financial Needs	-0.226	-4.514	0
	Adjusted R Square			0.937
	F Value			1632.34
	P-value of F Statistic			.000[b]

a. Dependent Variable: Individual Investment Decision

b. Predictors: (Constant), Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence, Neutral Information, Personal Financial Needs

Table 4.5 shows that the R-squared statistics and the adjusted R squared statistics of the model were 93.8% and 93.7% respectively. The result indicates that the changes in the independent variables explain 93.7% of the changes in the dependent variable. That means Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence, Neutral Information and risk Personal Financial Needs was 93.7% of the changes in level of individual investment decision. The coefficient of determination, or R-Square, is a commonly employed statistic to evaluate model fit. R-square is equivalent to 1 minus residual variability ratio. Regression value of 347.853 and residual value of 23.058 were found in the above table, which forecast the effect of independent variables (i.e., Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence, Neutral Information, and Personal Financial Needs) on level of individual investment decision. The F-test, F (5, 541) =1632.338. The study established the significant value of $p=0.000<0.05$ showing a statistical significance relationship.

Table 4.5 Accounting Information's co-efficient value, according to evaluations, was.659. This shows that if accounting information was enhanced by 100%, each person's investment choices would increase by 65.9%, all other things being equal, provided that the other independent variables—advocate recommendation, self-image/firm-image coincidence, neutral information, and personal financial needs—remained constant. The variable, accounting information, was individually influencing the prediction of the dependent variable, individual investment decision, and this was of statistical significance ($.000<0.05$).

Table 4.5 In accordance with the analysis, the advocate recommendation's co-efficient value was -0.175. It suggests that a 100% improvement in advocate recommendation could result in an increase in personal investment choices of -17.5% when all other variables (Accounting Information, Self-image/Firm-image Coincidence, Neutral Information, and Personal Financial Needs) remain constant. The variable, Advocate Recommendation, was significantly associated with the

prediction of the dependent variable, Individual Investment Decision, and this was highly significant (.003<0.05).

Table 4.5 analyses the co-efficient value for Self-image/Firm-image was .175. This means that all things being equal, when the other independent variables (Accounting Information, Advocate Recommendation, Neutral Information and Personal Financial Needs) were held constant, individual investment decision increases 17.5% if there is 100% improvement in the Self-image/Firm-image Coincidence. This was statistically significant (0.000<0.05) i.e. the variable (Self-image/Firm-image Coincidence) was making significant contribution to the prediction of the dependent variable (individual investment decision).

Table 4.5 analyses neutral Information's co-efficient value was 0.480. It suggests that, under similar circumstances, when there are still independent variables (Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence and Personal Financial Needs) were held constant, individual investment decision increases 48.0% if there was 100% improvement in the Neutral Information. This was statistically significant (.000>0.05) i.e. the variable (Neutral Information) was making unique contribution to the prediction of the dependent variable (individual investment decision).

Table 4.5 Based on the analysis, the personal financial needs co-efficient value was -0.226. This indicates that, under identical circumstances, when the other independent variables (Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence and Neutral Information) were held constant, individual investment decision increases -22.6% if there is 100% improvement in the Personal Financial Needs. It shows statistical significant (0.002<0.05) i.e. the variable (Personal Financial Needs) was making significant contribution to the prediction of the dependent variable (individual investment decision)

4.6 Discussion

Observing the current scenario, growing concern and involvement of many individual investors in Nepalese stock market makes this a very hot topic. Increasing level of financial literacy can be considered as the major reason for this growing concern of people over stock market.

The main purpose of this study is to find out how the Nepalese individual investors of stock market consider different factors that affect stock market investment. Knowing the perception of investors can give insight about how the stock market of Nepal is operating and what factors mainly contribute to individual's choice of firm's stock.

The magnitude of individual investment decision of investor was high within the investors on share market. Among the factor of individual investment decision "Neutral Information" was highest mean value followed by "Accounting Information", "Personal Financial Needs" and "Advocate Recommendation" respectively. And factor "Self-image/Firm-image Coincidence" was least mean value. Thus, the study presents that the dependent and independent factor through descriptive analysis which was not bad. The study indicates that there was a positive relationship between Accounting Information, Advocate Recommendation, Self-image/Firm-image Coincidence, Neutral Information and Personal Financial Needs with level of individual investment decision. The regression's coefficients are inferred by the result that results. The findings proved that each independent variable strongly predicted the individual investment..

Correlation analysis has been done in order to find out the relationship between five different independent variables and individual investment decision as a dependent variable. The study shows that all five independent variables have positive correlation with dependent variable. The value of Cranach's Alpha for overall variables under the study was greater than 0.7, which support the notion that the study was reliable.

In the above study (Perception of Individual Investors towards Investment in Nepalese Market) it was found that the most influencing Independent factor for investment decision was Accounting information with highest correlation coefficient among the all five independent variables. This means the investors were financially literate and highly motivated by financial information's, financial positions, etc. of the company. Others factors such as Neutral information, Personal financial needs and

Advocate recommendations also highly influence the investment decisions. The least influencing factor for investment decision was Self-image/firm-image coincidence.

Al-Tamimi (2006) on his study about Saudi Stock Market found that the most influencing/significant factor by order of importance were accounting information, self-image/ firm-image coincidence, neutral information, advocate recommendation, and personal financial needs. Bashir et. al., (2013) found that the most influential factor was accounting information which is consistent with the current study. It is also found that personal financial needs have also a positive relationship with investment decision but advocate recommendations has least influence on investment decision. According to the study of Ahmad (2017), in Pakistan, the most influencing factor belongs to accounting information group. But this study found that Self-image/Firm-image coincidence have least influence on investment decision. Durga and JaiSankar (2018) have found that accounting information is most influential factor on investment decision at Tamil Nadu which is consistent with the finding of this study. It founds that advocate recommendations has least impact on individual investment decision.

Safdar et.al., (2020) found strong positive correlation of accounting information, advocate recommendation, neutral information, self-image/ firm-image coincidence and personal financial needs with individual investment decision. Accounting information and personal financial needs are found having significant impact on individual investment just like the outcome of this study. The study of Elsheikh (2017) found that the most influential factor in Saudi stock market was accounting information and personal financial need was third on the list as it is consistent with the current study's finding. But self-image/firm-image coincidence was also found influential in investment decision which is contrasted with this study's finding. Similarly, advocate recommendations and neutral information found least influential in Saudi stock market. Babu (2013) concluded that most influential determinant of investment was accounting information. Similarly, Dharmaja et.al., (2012) concluded that accounting information was the most influential factor in the investor's behavior, while neutral information was the least influential one. These findings are also slightly consistent with the current study's findings.

The findings of this study contrast with the findings of the study of Ali and Tariq (2013) that concluded accounting information do not influence investor's decision but self-image/firm- image coincidence and neutral information have significant impact on investment decision. Similarly, Nagy and Obenberger (1994) also found neutral information having strong influence on investor behavior in their study. Advocate's recommendations including recommendations from family members, friends and co-workers and stock brokers is also having strongest and significant influence on individual investor's decision making. Personal financial need is having no influence on individual equity investor's decision making these findings have contrasted with the finding of current study. Somathilake (2020) found that only neutral information and advocate recommendation have influence toward investment decisions whereas accounting information, firm's image and personal financial needs have no significant impact on individual investment decision in Colombo stock exchange. Akber et. al., (2016) found that only advocate recommendations, self-image/ firm-image coincidence and neutral information have positive significant relationship with individual investor's investment decision making whereas accounting information and personal financial needs have no significant positive relationship with individual investment decision on Islamabad Stock Exchange. This finding has totally contrasted with the findings of the current study.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter presents the overview of findings and conclusion of the study. Findings and the conclusion of the study is based upon the data analysis and hypothesis testing which was done in the previous chapter. The first section of this chapter includes summary of findings, second section includes conclusion and third section includes recommendations.

5.1 Summary of Findings

This study's primary goal was to investigate the effects of five distinct independent variables namely accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financial needs on individual investment decision of Nepalese stock market investors. The study apply causal and descriptive research design, in which associations between the variables was established and analyze the relationship between the variables. In this research work, the pre- tested questionnaire was used to collect the data through self-administered form. The research finding was based on quantitative data collected by distributing questionnaire to the respondents.

The population includes all the investors of Nepalese stock market. Among the total population on the basis of probability sampling *384 respondents were needed for this study*. Thus 547 investors of the Nepalese capital market were taken for sample. The study was based on 547 respondents and the data were collected through the questionnaire. The study was mainly based on primary data. Primary data were collected using a structured questionnaire technique. The questionnaire includes five points Likert Scale questions ranging from one (strongly disagree) to five (strongly agree).

The information regarding demographic variables such as gender, age, income level, type of employment and education level was collected through questionnaire. Respondents were explained the purpose of the study and asked to respond the set of questionnaire. Five scales, from five to one, were used in the questionnaire's development; five stands for highly agree, four for agree, three for neutral, two for disagree, and one for severely disagree. Regression analysis was employed in the study to evaluate the impact of the independent variable on the dependent variable. Investors were given 547 questionnaires for the study, and 547 (100%) of the completed forms were considered valid and used for research. The SPSS software version was used to show and analyse the data that had been gathered.

Descriptive statistics were calculated for respondent's profile to find out the percentage and frequency of given statements of the section. Likewise, descriptive statistics were calculated for both dependent and independent variable to find out the mean and standard deviation for the statements. Later, correlation and regression analysis were done to find out the correlations between the different five independent variables and individual investment decision and to test the hypothesis mentioned for the study.

There was significant positive relationship between Accounitng Information, Advocate Recommendation, Self-image/Firm-image coincidence, Neutral Information and Personal Financial Needs with individual investment decision. The purpose of the research was to find out how factors influencing investing actions as indicated by all dependent variables related with specific investment decisions made by individuals. The outcomes indicated that the variables influencing investment behaviour appeared to be strongly correlated.

The study predicting the effect of independent factor (i.e. Accounting Information, Advocate Recommendation, Self-image/Firm-image coincidence, Neutral Information, and Personal Financial Needs) on level of individual investment decision and also established a significant value which present statistical significance relationship. Finally, the value of Cronbachs Alpha for overall variables under the study is greater than 0.7 which support the notion that the study was reliable.

5.2 Conclusion

This study was conducted with the primary objective of examining how Nepalese stock market investors think about investing in stocks and what factor influences their investment decision. The study indicated that the relationship between Accounting Information, Advocate Recommendation, Self-image/Firm-image coincidence, Neutral Information, and Personal Financial Needs with individual investment decision and the results designed to ascertain the connection between the independent variable (i.e., individual investment decision) and the factors influencing investment behaviours as applied by all dependent variables. The results revealed a substantial relationship between the characteristics of investment behaviours and the choices made by individuals concerning their financial assets..

The study presents that the dependent and independent factor through descriptive analysis which was not bad. And the value of Cronbachs Alpha for overall variables under the study was greater than 0.7 which support the notion that the study was reliable. In the study indicates that there was a positive relationship between between Accounting Information, Advocate Recommendation, Self-image/Firm-image coincidence, Neutral Information, and Personal Financial Needs with level of individual investment decision. The regression's coefficients are assumed by the outcome. The results showed that all independent variables were significant in predicting each individual Nepalese stock market investment decision.

In the study, the co-efficient value for Accounting Information was making significant contribution to the prediction of the dependent variable (individual investment decision), when the other independent variables (Advocate Recommendation, Self-image/Firm-image coincidence, Neutral Information, and Personal Financial Needs) were held constant. The co-efficient value for Advocate Recommendation was making unique contribution to the prediction of the dependent variable (individual investment decision), when the other independent variables (Accounting Information, Self-image/Firm-image coincidence, Neutral Information & Personal Financial Needs) were held constant. The co-efficient value for Self-image/Firm-image coincidence was providing a remarkable and distinctive contribution to the dependent variable's prediction (individual investment decision), when the other independent variables (Accounting Information, Advocate Recommendation, Neutral Information, and Personal Financial Needs) were held constant. The co-efficient value for Neutral

Information was making unique contribution to the prediction of the dependent variable (individual investment decision), when the other independent variables (Accounting Information, Advocate Recommendation, Self-image/Firm-image coincidence and Personal Financial Needs) were held constant. The co-efficient value for Personal Financial Needs was delivering a remarkable and special impact to the dependent variable's prediction (individual investment decision), when the other independent variables (Accounting Information, Advocate Recommendation, Self-image/Firm-image coincidence and Neutral Information) were held constant.

From this, we can infer that majority of the individual investors of Nepalese stock market consider the financial aspects of the firm, broad economic indicators and their own personal financial needs but they are least concerned about considering the factors like recommendations of others, perceived image of the firm while making their investment decision. Therefore, it can be concluded that, Nepalese stock market investors are more focused on financial aspects, neutral information available and personal needs rather than other considerable factors.

5.3 Implications

This research work has examined the impact of accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financial needs on investment decision of Nepalese stock market investors. From the study it is found that Nepalese individual investor’s decision is influenced by personal financial aspects, neutral information and their own personal needs. It is found that there is no any significant impact of advocate recommendation and self-image /Firm Image Factors with compared to other independent variables.

This study can be very fruitful for those government and non-government authorities who are making policies and regulating Nepalese stock market. By inferring this study, they can improve policies and regulations according to the way which will benefit all the investors as well as other stakeholders. Moreover, this study is also important for current as well as potential investors who want to know the psychology of other investors and their decision-making pattern.

- All the current as well as potential investors should carefully analyze all the relevant aspects regarding individual needs as well as firm level and national level indicators while making investment in share market.
- The regulatory authorities should make and improve those policies which will generate a favorable environment for all the current as well as potential investors by remaining in some ethical and legal boundaries.
- All the current as well the potential investor should carefully analyze all the dependent as well as independent factors that affect the decision while investing.
- All the investors should carefully analyze the current as well as potential market condition to make beneficial investing.
- The regulatory authority should focus on establishing ethical investing in stock market.

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ANNEX I

QUESTIONNAIRE

Factors Affecting Perception of Individual Investors towards investment in Nepalese Stock Market

Dear Respondents,

I am an MBS Student of Shanker Dev Campus affiliated to Tribhuvan University. I am conducting research for partial fulfillment of Masters of Business Studies (MBS). The topic of my research is "perception of Individual Investors towards Investment in Nepalese Stock Market". I would be grateful if you could complete the enclosed questionnaire based on your genuine feelings. Your participation is highly important to the study and your response will be anonymous. The data collected from this survey will be used for academic research purposes only.

Thank you very much for your participation and coordination.

With regards,

Pritam Raj Karki

Demographic

Section 1: Respondent's Profile

Gender

- Male
- Female
- Others

Current Age

- Under 30 years
- 30-50 years
- Above 50 years

Academic Qualification

- Bachelors
- Masters
- Above Masters

Occupation

- Contractual
- Permanent

Monthly Income

- Below 30,000
- 30,000-50,000
- Above 50,000

Section 2: Independent and Dependent Variables

Please read each statement carefully and tick the most appropriate answer that indicates how strongly you agree or disagree with the following statements, where: (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree and 5= Strongly Agree)

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Accounting Information					
I study the past performance of the firm's stock before making investment decision.					
I check firm's dividend policy while making investment decision					
I review the income statement and balance sheet of the company before investment					
The expected corporate earnings of firm attract me for investment.					
Reasonable market price of a firm's share attracts me for investment					
Advocate Recommendation					
Recommendations from friends help me in my investment decision.					
Suggestions of other people help in my investment decision.					
I get suggestions from broker easily.					
I consider the opinion of my family members to make investment decision					
Self-Image/Firm-Image Coincidence					
My investment decision is influenced by the feeling of 'To get rich quickly.					
I select the company to invest on the basis of its status in the industry.					
Perceived ethics of firm affects my investment decision.					
The feeling on company's					

products and services affects my investment decision.					
Neutral Information					
I analyze current economic indicators like interest rate, inflation before making my investment decision.					
Statements of governmental officials like NRB, NEPSE, SEBON influence my investment decision.					
Recent price fluctuation in a firm's stock has impact on my investment decision					
Coverage in the news about company affects my investment decision.					
Personal Financial Needs					
I make investment on the basis of easy accessibility of loans.					
I make investment on the basis of investment capital required.					
I make investment in firms' stock in order to create more diversification.					
I make investment on the basis of attractiveness of non-stock investment such as real estate.					
Individual Investment Decision (Dependent Variable)					
I make investment in stock market only after evaluating company's financial performance.					
I purchase the firm's stock only after evaluating that particular industry's performance (For e.g. Industry's growth rate).					
I do not consider the recommendation of different parties like broker, friends, family members and others while making investment decision.					
I do not follow any rumors regarding stock market while making investment decision.					

PERCEPTION OF INDIVIDUAL INVESTORS TOWARDS INVE...

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Abstract Investment in stock market is becoming a trend nowadays in Nepal. People are being more aware of investment in Stock market. In past one year, significant increment is being seen in number of investors and transaction volume of stock market transactions in NEPSE. As per the recent data of February 2021 the market capitalization of NEPSE reaches largest since its establishment period however during the July 2022 the market capitalization of NEPSE is decreasing as compared to data of one year before this research. By analyzing the current scenario, this study is conducted in order to find out how Nepalese individual investors of stock market perceive about investing in stock market and what factors are mainly influential on their investment decision. This study is based on the primary data collection from individual investors who are actively investing in Nepalese stock market. Total of 547 respondents were taken as a sample for this study and convenience sampling method was used for data collection. The constructs for the independent variable is taken from empirical research and constructs for dependent variable is prepared by researcher herself. This study follows the causal comparative research design in order to infer the impact of five different independent variables namely accounting information, advocate recommendations, self-image/firm- image coincidence, neutral information and personal financial needs on investment decision of Nepalese stock market investors. The data analysis consists of descriptive as well as inferential statistics. Descriptive statistics used under this study are frequency, percentage, mean and standard deviation in order to describe the characteristics of the data. Descriptive statistics especially mean and standard deviation shows that all the five independent variables have positive contribution in measuring the impact on individual investment decision which can be demonstrated by the mean value greater than three in five-point Likert scale. This means, majority of the respondents are agreed upon the statement presented to them to measure the impact of independent variables on individual investment decision. Similarly, under the inferential statistics, correlation and regression were used. Under the correlation analysis, it has been found that all five variables namely accounting information, advocate recommendations, self-image/firm-image coincidence, neutral information and personal financial needs have positive correlation with individual investment decision. Similarly, under regression analysis, it has been found that two i variables namely accounting