EFFECT OF BEHAVIORAL FACTORS ON INVESTORS' INVESTMENT DECISIONS IN STOCK MARKET

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

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Effect of Behavioral Factors on Investors’ Investment Decisions in Stock Market”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

Ashma Gurung

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REPORT OF RESEARCH COMMITTEE

Ms. Ashma Gurung has defended research proposal entitled **"Effect of Behavioral Factors on Investors' Investment Decisions in 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 Asso. Prof. Dr. Kapil Khanal and submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Effect of Behavioral Factors on Investors' Investment Decisions in Stock Market"** presented by Ashma Gurung, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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This study entitled **"Effect of Behavioral Factors on Investors' Investment Decisions in Stock Market"** has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of qualitative aspect of effect of behavioral factors on investors' investment decision in stock market.

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Ashma Gurung

Date: ……………….

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ABBREVIATIONS

%	:	Percentage
&	:	And
e.g.	:	Example
HDF	:	Herding Factors
HF	:	Heuristic Factors
i.e.	:	That is
IBM	:	International Business Machine Corporation
IDP	:	Investment Decision Performance
MF	:	Market Factors
MS. DO	:	Microsoft Disk Operating System
No.	:	Number
PF	:	Prospect Factors
Res	:	Respondents
SEM	:	Structural Equation Modeling
SPSS	:	Statistical Package for Social Sciences
T.U.	:	Tribhuvan University
WHO	:	World Health Organization
WHO	:	World Health Organization
www	:	World Wide Web

ABSTRACT

This study has investigated the effect of behavioral factors on investors' investment decisions in stock market. The study has used descriptive and casual research design. The sampling technique for the study followed convenience sampling. Data have analyzed by using different statistical technique such as descriptive statistic, correlation analysis and regression analysis. This study showed that investors agreed that market factors and prospect factor highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant position association between heuristic factors and investment decision performance. Similarly, prospect factors have significant positive relationship with investors' investment decision. At the same time, there is significant positive association between market factors and investment decision performance. Moreover, correlation value between herding factors and the investment decision performance is significant positive. The regression analysis shows that there is significant positive effect of heuristic factors on investment decision performance. Then, there is also significant positive effect of prospect factors on investment decision performance. At the meantime, market factors have significant positive impact on investment decision performance. Finally, herding factors have significant positive effect on investment decision performance. However, all the behavioral factors have significant impact on investors' investment decision in stock market.

Keywords: Investment decision performance, heuristic factors, prospect factors, market factors, herding factors.

CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Behavioral finance is the study of how investors' and financial analysts' behavior is influenced by psychology. It is the investigation of the influence of psychological elements on financial judgment (Kimeu et al., 2016). Because of studies on how psychological and cognitive biases may affect investors' financial decisions, behavioral finance has seen a discernible increase in interest over the past fifty years. Behavioral finance is the application of psychology and behavioral economics to the study of why economic agents make irrational decisions. Psychology studies many facets of human behavior, elucidating how behavior deviates from the common assumptions about human nature held by the business sector. Common human biases fall into four primary categories: heuristic, prospect, market, and herding forces.

The choice of security or asset to invest in, the amount to invest, the timing of the investment, and the length of the investment are all crucial factors. Due to the variations in the risk and return profiles of various alternatives, an investor may choose to invest in shares, bonds, marketable securities, or other assets based on their level of risk tolerance (Lourrine & Nairobi, 2017). An investing decision is the outcome of a very complex cognitive process that is unique to each investor. It is tough, if not impossible, to determine the basic factors driving each person's investment decision. The method of choosing investments has changed significantly during the previous few decades. For the purpose of making financial and investment decisions, a variety of tools, techniques, and traditional frameworks are used. In the absence of a contextual and behavioral understanding of individual investors and their investment environment, the use of these sophisticated tools, processes, and frameworks would be insufficient.

Investment decisions may be influenced by a variety of factors, including the investor's attitude and the investing environment. When doing investment evaluations, investors commonly use technical analysis, fundamental analysis, and judgment. When making investments, it's usually beneficial to use decision tools. Both the performance of the market and the investment decisions made by individual investors are likely to be influenced by information architecture, individual variations, and market-related difficulties. Investor market behavior is developed from psychological notions of decision-making to explain why people buy or sell stocks. So, in order to shed more light on the motivations underlying people's stock purchases, sales, and lack thereof, behavioral finance has been applied (Thaler, 2003).

According to conventional financial theory, investors are irrational individuals who strive to accumulate as much wealth as they can by adhering to fundamental financial principles and formulating investment strategies that are purely psychologically inert and dependent on risk-return calculations. Thus, behavioral finance is believed to provide a new angle on why people behave a specific way in the marketplace. Behavioral finance adopts a pragmatic approach to comprehending market participants, acknowledging that they are human beings. Therefore, psychological issues may affect market participants fully or partially (Thaler, 2005). According to behavioral finance, an investor's use of market activity as justification for stock purchases and sales stems from the psychological concept of decision-making (Werah, 2008).

Consequently, in addition to rational factors, investors' judgments are occasionally impacted by psychological factors (Sehgal & Singh, 2012). Behavioral finance has garnered significant attention in the past few years as a tool for explaining investor behavior and how it affects judgment. Studies explaining the behavior of individual investors first appeared in the 1970s. By looking at the decision-making process, the study of behavioural finance seeks to explain the thinking underlying decisions to buy and sell financial assets. Its main focus is on the psychological ideas that influence investors' financial choices. Kahneman and Tyevsky (1979) argued that it is probable that investors don't always seem like the most logical people to invest in. These behaviorists assert that when making financial decisions, investors are capable of acting irrationally.

Shefrin (1999) argued that the discipline of behavioral finance, which studies how financial experts' decisions are influenced by psychology, is expanding rapidly. A multitude of studies in behavioural finance have examined the factors influencing an individual investor's selection of stocks. Meriks et al. (2004) divided the factors affecting individual investors’ decisions into five groups: financial requirements particular to the investor, neutral information, subjective/personal, advocacy recommendations, and neutral information. Nagy and Obenberger (1994) used the following seven classifications: accounting information, neutral information, advocate recommendation, traditional wealth maximization, coincidence between one's own and one's firm's image, social significance, and individual financial desires.

The choices that investors make on the Nepalese domestic stock market are significant in determining the market's trajectory, which is believed to affect the nation's economy. Determining what structural or behavioral factors are influencing the decisions made by individual investors is a necessary step towards constructing a reasonable explanation for the behaviors of investors at the Nepal Stock Exchange. Similar-minded investors will react more successfully and profitably since their actions will be supported. Therefore, this study aimed to analyze the behavioral factors is influencing the decision made by individual investors.

1.2 Problem Statement

Both academics and professionals have emphasized how crucial it is to understand the elements that prospective and existing investors take into account when making investment decisions. Despite the necessity for the nation to promote a saving and investing culture, not much research has been done on the causes of Nepalese people's poor adoption of equity as an investment option. Most of these studies were conducted outside of the US, in China, India, and other foreign nations. Compared to these environments, Nepal provides a different investment climate because of its unique and uncommon traits.

Investor choices on the stock market have a significant impact on the market trend, which in turn influences the economy. To understand and provide a reasonable explanation for investors' behaviors at the Nepal Stock Exchange (NEPSE), it is imperative to look into the behavioral factors impacting their decisions. Security firms may also utilize this data to get a deeper comprehension of investors, enabling them to anticipate more precisely and make better recommendations.

Javed and Marghoob (2017) found that the four elements of the prospect factor mental accounting regret aversion, loss aversion, and regret aversion had a substantial impact on investor decision-making. The most trustworthy markers of shifts in short-term investing intention were shown to be prospect and herding tendencies (Sashikala and Chitramani, 2018). Investors' intentions toward short-term investments did not seem to be influenced by a variety of factors, including heuristics and market circumstances. Adhikari (2020) found that statements from government officials, the expected capital increase, the company's industry standing, the objective of diversification, the allure of non-stock investments, the ease of borrowing money, etc. were the most important factors influencing individual investment decisions.

Baral and Pokharel (2020) stated that heuristic (including anchoring, representative, overconfidence, availability bias and gamble's fallacy), herding (choice of trading stocks; buying and selling; volume of trading stocks, speed of herding) and prospect (loss aversion, regret aversion, and mental accounting) have no significant relationship with investment decision.

Elhussein and Abdelgadir (2020) stated that the factors that have a significant impact on individual investment decision making process include representativeness, overconfidence, anchoring, historical cost of stock, customer preferences, loss aversion, mental accounting, other investors' trading volume, and quick reaction to changes in other investors' decisions. Factors that have an insignificant impact include availability bias, change in stock prices, regret aversion, and other investors' decisions and choices. Rajeshwaran (2020) showed that all four behavioural factors and investment decision have fallen to moderate levels. Heuristic variables are positively related with investment decision while other variables namely prospect variables, market variables and herding variables are negatively related with investment decision.

Silwal and Bajracharya (2021) found that prospect behavioral factor is seen to have negative correlation to investment decision. Herding, Market variables and Heuristic (including overconfidence and anchoring bias) are found to have positive correlation to investment decision. Ong'eta (2021) established that investment decision did not significantly control the relationship between the following behavioural factorsherding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence) and investment decision of the individual investors in Nairobi Securities Exchange.

Karmacharya et al. (2022) showed that among the four behavioral variables, market, heuristic, and herding factors had significant effects on investment decision. The economy of Nepal would expand with more investment, both foreign and indigenous, in the share market. The findings of the pilot survey for this study confirm this dynamic, suggesting that further research on investor behavior is required to identify the underlying variables that influence it. Additionally, the review of the literature demonstrates that few studies carried out in Nepalese settings offer a complete picture of the individual investor behaviors. Consequently, the study's findings will be helpful in figuring out the variables affecting each Nepalese individual unique investment habits. This study deals with following issues in context of Nepal.

- What is the behavioural factors influencing the investors' investment decisions?
- Is there any the relationship between behavioural factors such as heuristic factors, prospect factors, market factors and herding factors and investors' investment decisions?
- What is the impact of behavioural factors like heuristic factors, prospect factors, market factors and herding factors on the investors' investment decisions in Nepalese share market?

1.3 Objectives of the Study

The major objective of this study is to analyze the effect of behavioural factors on investors' investment decisions in stock market. The other specific objectives are as follows:

- To assess the behavioural factors influencing the investors' investment decisions.
- To analyze the relationship between behavioural factors such as heuristic factors, prospect factors, market factors and herding factors and investors' investment decisions.

- To evaluate the impact of behavioural factors like heuristic factors, prospect factors, market factors and herding factors on the investors' investment decisions in Nepalese share market.

1.4 Research Hypotheses

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

H_1: Heuristic factors have significant impact on investors' investment decisions in Nepalese share market.

H_2: Prospect factors significant impact on investors' investment decisions in Nepalese share market.

H_3: Market factors have significant impact on investors' investment decisions in Nepalese share market.

H_4: Herding factors have significant impact on investors' investment decisions in Nepalese share market.

1.5 Rationale of the Study

Investment advisors will find it easier to identify behavioral biases and how they may affect individual investors' investing decision-making based on the study's findings. Financial advisors will be able to recognize the prejudices that affect active and passive investors, two categories of investors in the Nepalese stock market. The study's findings will also be highly beneficial to individual investors, as they will enable them to identify the many psychological biases that are present, pinpoint the ones that are linked to them, and comprehend the ways in which these biases influence judgments made while trading stocks.

Furthermore, this work will assist regulatory agencies in developing and enhancing financial regulations to counteract these biases. The performance of an investment is significantly influenced by the quality of the investment selection. Inadequate investment decisions will be detrimental to society. Investor psychology has the potential to boost potential returns on investments and decrease errors committed by individual investors. Behavioral finance helps individual investors understand and relate to the financial markets by leveraging the psychological components of finance.

By adding to the amount of information already available in the subject of finance, the study will also benefit society as a whole. This work may be used as a reference by academics and researchers in the future who wish to learn more about behavioral finance. At the conclusion of the study, the researcher has identified topics that need further inquiry. This will serve as the cornerstone that upcoming academics and researchers will build upon when they design their study problems.

1.6 Limitations of the Study

This study has some limitations mentioned below.

- Since the respondents were selected from intimate networks which include friends, family, and their circles, it may not be possible to draw generalizations about all investors.
- A survey of a subset of investors in the Kathmandu Valley was undertaken. As a result, it's possible that the conclusions cannot be applied to all investors.
- A higher sample size would more truly reflect the investor's situations, despite the relatively high sample size (N=400).
- Investor impressions serve as the basis for measuring the success of investments. Investors' subjective awareness is used to evaluate it. On the other hand, some investors might not be aware of the average return on the stock market or their own predicted return.
- For the duration of the study, only four independent factors heuristic variables, prospect variables, market variables, and herding variables have been taken into account.
- This study used only descriptive analysis, correlation analysis and multiple regression analysis to analyze the data.

CHAPTER II
LITERATURE REVIEW

The main objective of this chapter has been to review relevant research regarding the behavioral factors that affect the stock investment decisions of Nepalese investors. Every research project begins with historical data and facts that serve as the foundation for the current investigation. This chapter is crucial to the investigation since it aids in gathering sufficient feedback, which expands the quantity of information and sources I have available for my study. The research gap, the theoretical review, and the review of the empirical review are the main topics of this chapter.

2.1 Theoretical Review

Behavioral finance is the most recent advancement in the history of portfolio theory. Market-focused psychologists have long argued that psychological factors could account for a major portion of market behavior. This paradigm has increased our understanding of investor behavior, which has an impact on stock market decision-making. According to Waweru et al. (2008), behavioral theories may be divided into two groups: illusions brought on by heuristic decision-making processes and the prospect theory's illusions brought on by adopting mental frames.

2.1.1 Heuristic Theory

Behavioral economics acknowledge that humans use heuristics in our decision-making process to help us navigate an ever more complex world. Gigerenzer and Wolfgang (2011) defined heuristics as a tactic that bypasses some data in order to make judgments faster, cheaper, and more precisely than with more intricate approaches. These straightforward, effective guidelines work best in circumstances when there is more uncertainty, less time available for decision-making, and lower-quality information than in more complicated, data-driven approaches. Instead of trying to discover the greatest answer, they look for the one that best fits the situation of the particular investor, taking into account the trade-offs between uncertainty, decision-making time, and the expense of obtaining more information.

Heuristics are mental short cuts that we can use to rapidly reach where we need to go based on our past experiences. They have been developed over thousands of years and can be regarded of as mental shortcuts that can lead us in the wrong path or introduce biases that cause us to overestimate or underestimate the actual outcome (Ricciardi & Simon, 2001). Bias that results from applying the incorrect rule of thumb to an issue frequently leads to mental errors. The expectations of the market for the future determine the pricing of stocks today. In the end, equities could be mispriced if the market has skewed expectations. The heuristic theory is relevant to this research because it provides a detailed explanation of how heuristic elements like availability, overconfidence, and anchoring bias influence investment decisions made on the Nairobi Securities Exchange (Kimeu et al., 2016).

2.1.2 Behavioral Finance Theory

Behavioral finance emerged as a response to the shortcomings of classical finance (Statman, 1999). Behavioral finance, according to Linter (1998), is the study of how individuals comprehend and respond to information in order to make financial decisions. Generally speaking, the literature on behavioral finance is composed of two main parts. Finding deviations from the Efficient Market Hypothesis is the first step, and identifying investor biases or behaviors that defy traditional financial and economic ideas of rational conduct is the second.

Statman (1999) indicated that the objective of behavioral finance is to pinpoint and elucidate how emotions and cognitive errors affect financial decision-making. By fusing classical finance ideas with psychology, behavioral finance offers investors greater explanations for their illogical financial decisions. Barberis and Shleifer (2003) studied a number of trading anomalies, including herding behavior, overreaction, under reaction, and momentum strategies, and suggested that these anomalies violate the Efficient Market Hypothesis's trading rules and render traditional finance models and theories inappropriate for relating investment risk and returns. The goal of behavioral finance is to provide an explanation for potential market inefficiencies. Behavioral finance, to put it briefly, is the application of human behavior's behavioral characteristics to financial theories and models to further economic knowledge. It provides a deeper comprehension of investor behavior and real market.

The focus of behavioral finance is on human nature, with emotional responses and erroneous decisions influencing an individual investor's decision-making. Kenneth and Kim (2007) mentioned that Behavioral finance can aid in our understanding of investor behavior and cognitive capacities, as investors are subject to a number of cognitive biases that restrict their intellectual capacity. Numerous research conducted worldwide have observed that retail investors in stocks are not able to take full advantage of market development and volatility. Behavioral factors have a major impact on the performance and investment decisions of individual investors (Bilal, 2016). Behavioral and emotional elements, which are impacted by investors' behavioral biases, have been identified as the main determinants influencing investing decisions.

2.1.3 Prospect Theory

The fundamental work of Kahneman and Tversky from 1979 supported prospect theory, which focuses on subjective decision-making influencing investors' value system when risk-taking behavior and uncertainty were present (Horvath & Filbeck, 2005). People tend to react differently to comparable occurrences when presented in the context of profits or losses, which is caused by their predisposition to undervalue likely outcomes in compared to particular ones. In essence, the theory explains why people exhibit inconsistent risk aversion, acting risk-aversely in winning situations but risk-takers in losses. This explains why individual investors are more likely to put stopping a loss ahead of achieving a profit.

Olsen (1997) argued out that prospect theory "gives weight to the cognitive limitations of human decision makers," which means that an individual investor bases their decisions on bounded rationality, as supported by behavioural decision theory (the behavioural finance viewpoint), rather than the concept of rationality as expounded by classical decision theory (the standard finance perspective). Ritter (2003) further contended that prospect theory, which concentrates on changes in wealth, is a descriptive theory under uncertainty. One significant implication of prospect theory, according to Kahneman and Tversky (1979), is that economic actors' degree of satisfaction with returns is influenced by how they conceptualize an outcome or transaction.

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

2.2 Empirical Review

Javed and Marghoob (2017) examined the effects of behavioural factors in investment decision making at Pakistan stock exchanges. The purpose of the current study is to ascertain how individual investors and institutional managers in Pakistan's stock markets are affected by behavioral factors such market factors, overconfidence factors, prospect factors, anchoring factors, and behavioral factors. Descriptive statistics, reliability, regression, and correlation analysis were all used in this study. The prospect factor includes three variables mental accounting, regret aversion, and loss aversion that have a big influence on investing decision-making. The factor that influences investors' decisions the most is loss aversion; as a result, after a win, investors typically seek out greater risk, and after a loss, they typically become more risk averse. Individual investors at the Pakistan Stock Exchange should only be overconfident to an appropriate degree in order to use their abilities and expertise to enhance investment outcomes, since overconfidence has a beneficial influence on investment decisions. Overconfidence may help investors accomplish challenging tasks and predict future trends in uncertain times, but it must be utilized wisely and appropriately.

Sashikala and Chitramani (2018) investigated the impact of behavioural factors on investment intention of equity investors. The objective of this research is to determine which behavioral finance-related variables affect household investors' investment choices in Sri Lanka's Northern Province. 1810 household investors in Sri Lanka's Northern Province provided the essential data for the study, and a proportionate stratified random selection technique was used to choose the sample respondents. The data are analyzed using confirmatory factor analysis and exploratory factor analysis as analytical techniques. The current study came to the conclusion that household investors' investment decisions are influenced by representativeness, overconfidence, availability, regret, loss, and aversion biases, among others. Heuristics and market conditions, among other things, had no discernible impact on short-term investing intentions. Conversely, the results of the regression analysis indicate that long-term investing intention is significantly influenced by prospect and market conditions.

Adhikari (2020) examined factors influencing investment decisions of individual investors at Nepal stock exchange. Assessing the variables influencing individual investors' decisions to make investments on the Nepal Stock Exchange is the primary goal of the analysis. Using a random sample technique, the analysis is done on the 214 responses that the individual investors sent in. A structured questionnaire is provided to the respondents in order to collect data for the research. There were thirty-five items on the survey. Individual investors make up the responders. Frequencies, mean scores, standard deviations, percentages, and factor analysis approaches are used in this study's data analysis. The research validates that there seems to be some degree of correlation between the characteristics that behavioral finance theory defines for the typical equities investor and previous empirical data. The researcher investigates which are the most important factors influencing individual investment decisions: government statements, anticipated capital increases, the company's industry standing, diversification goals, appeal of non-stock investments, ease of borrowing funds, opinions of the majority shareholders of the company, opinions of family members, recent price movement in the company's stock, stock index fluctuations, rumors, expected corporate eating, stock marketability, results of technical analysis, dividend paid, perceived ethics of the company, reputation of the company's shareholders, and sentiment towards the company's goods and services.

Rajeshwaran (2020) analyzed performance of CSE investors in eastern province of Sri Lanka. The main objectives of this research are to characterize the investment behaviors of CSE investors in Sri Lanka's Eastern Province and investigate the effects of these behaviors on the investors' investment returns. A cross-sectional temporal horizon is employed in the survey approach for data collection. 374 CSE investors in the province have completed questionnaires that are used to gather data. Multiple regression, correlation, mean, and standard deviation are used. The investment performance and all four behavioral characteristics have declined to moderate levels, according to the results. Heuristic variables state that investors depend on their experience, expertise, and competence. According to the Prospect variables, most investors steer clear of losses and regrets while making stock investments. Aside from market factors, investors moderately analyze the firms' client preferences while paying close attention to variations in stock prices. Consistent with the Herding variable, investors imitate the investment decisions of others. Other variables, such as prospect, market, and herding variables, have a negative relationship with investment success, whereas heuristic variables have a positive relationship.

Baral and Pokharel (2020) investigated behavioral factors and investment decision: a case of Nepal. The primary objective of this research is to investigate the beliefs and actions of investors in the Nepalese stock market. This study, which draws from a large body of literature, employs the four independent variables of heuristic, prospect, market, and herding as well as the dependent variable of Nepal Stock Exchange investment success. Based on primary data gathered from 120 respondents who have invested in shares of NEPSE-listed businesses, this study is an empirical investigation. The market element significantly impacted the performance of the investments, according to the correlation study results. The results of the study imply that there is no meaningful correlation between investment performance and heuristics (such as anchoring, representative, overconfidence, availability bias, and gamble's fallacy), herding (buying and selling, volume of trading stocks, speed of herding), and prospect (loss aversion, regret aversion, and mental accounting).

Elhussein and Abdelgadir (2020) examined behavioral bias in individual investment decisions: is it a common phenomenon in stock markets? The aim of this study is to look into the behavioral aspects of the Sudanese Stock Exchange Market, a stock market in a developing nation, that affect investors' decisions to make individual investments. The research utilizes a cross-sectional survey design in conjunction with analytical techniques to gather the required data and determine the correlation between the variables under investigation. A systematic questionnaire is utilized to gather data from 203 individual investors, and correlation and regression analysis are applied to the results. Regardless of the stock market's level of development, behavioral biases are evident in the decision-making process behind individual investments, as demonstrated by the paper's findings. The analysis shows that market and heuristic variables are important when it comes to individual decision-making on the Khartoum Stock Exchange. Representativeness, overconfidence, anchoring, historical stock cost, customer preferences, loss aversion, mental accounting, trading volume of other investors, and prompt response to shifts in other investors' decisions are some of the factors that significantly influence an individual investor's decision-making process. The choices and decisions made by other investors, availability bias, fluctuations in stock prices, and regret aversion are among the factors that have a negligible effect.

Silwal and Bajracharya (2021) investigated behavioral factors influencing stock investment decision of individuals. The aim of the study is to determine the behavioral elements that impact the decisions made by individual investors and to examine the connection between these factors and the performance of investment decisions. Factor analysis, both exploratory and confirmatory, is used in this work. To test the hypothesis, structural equation modeling is also utilized. According to this study, there is a negative link between investment performance and prospect behavioral factors. It is discovered that there is a positive association between investment performance and herding, market characteristics, and heuristics (such as anchoring bias and overconfidence). This study offers strong proof that heuristic methods and herding enhance investment performance.

Ongeta (2021) examined the controlling effect of investment decisions on the behavioral factors influencing investment performance of individual investors in Nairobi Security Exchange. The main purpose of this study is to examine the ways in which investment decisions impact the behavioral elements that affect the success of individual investors' investments on the Nairobi Securities Exchange. The researchers postulated that the relationship between the investment performance of individual investors in the Nairobi Securities Exchange and the following behavioral factors—herding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence)—is not significantly influenced by investment decisions. In order to reach 1,196,995 individual investors on the Nairobi Securities Exchange, the investigator employed a survey study design. The highest limit of 500 individual investors on the Nairobi Securities Exchange is chosen by the researcher, and the 400 sample size of a population is estimated using the Slovin's approach. There is a systematic questionnaire used to collect primary data. The study demonstrates that the relationship between the investment performance of individual investors in the Nairobi Securities Exchange and the following behavioral factorsherding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence) was not significantly controlled by the investment decision.

Kunwar (2021) analyzed the relationship of behavioral factors with investment performance of individual investors in the Nepali stock market. The study aims to investigate the comprehension of the behavioral biases exhibited by individual investors in the Nepal Stock Exchange and to conduct an empirical analysis of the impact of behavioral variables on investment success. To find a relationship between investor performance and the factor scores that represent the heuristics, prospects, market, and herding effect as independent variables, correlation analysis is carried out. The findings show that individual investors in Nepal exhibit behavioral biases related to heuristics, prospects, market factors, and herding effect. Heuristics and market factors are among the factors that are discovered to have an impact on investors' investing performance. It is discovered that the heuristic behaviors have the strongest and most favorable impact on the success of investments. Ultimately, the findings show that investors do not fare better when they follow the herd in the market and with prospects. The results can be used to better understand how investor behavior affects the stock market and to formulate suitable rules that reduce the likelihood that behavioral biases would have a negative impact on the market.

Gyawali and Neupane (2021) analyzed individual investors psychology and investment decision in NEPSE. This study examines the psychology of individual investors and their NEPSE investing decisions with the goal of identifying whether individual psychological factors and their biases effect decision making in the Nepalese stock market. A sample of 347 people was selected for this study from the Butwal City broker office. Psychological factors include herding, anchoring, mental accounting, overconfidence, regret aversion, and loss aversion. These elements are further divided into emotional bias (overconfidence, regret aversion, and loss aversion) and cognitive bias (anchoring, herding, and mental accounting). To gather data, self-administered questionnaires are employed. Analytical and descriptive research designs are also employed to analyze the data. The results of multiple regression analysis indicate that while anchoring, mental accounting, and regret aversion had no effect on an individual investor's investment choice, overconfidence, herding, and loss aversion did. The outcome also demonstrates that both cognitive and affective biases have a favorable and noteworthy impact on an individual investor's decision to invest in the Nepalese stock exchange.

Cao et al. (2021) examined behavioral factors on individual investors’ decision making and investment performance: a survey from the Vietnam stock market. The purpose of this study is to shed light on how financial behavior and investment decisions are related, as well as how these decisions affect investment outcomes. Analyze the impact of behavioral factors on the stock market performance and investing decisions of individual investors in Vietnam. 250 investors were polled for the study. Confirmatory factor analysis (CFA), structural equation modeling (SEM), and exploratory factor analysis (EFA) are the three primary analytical techniques used. According to research findings, investing decision-making is directly and favorably impacted by heuristics, prospects, markets, and herding. Additionally, the aforementioned elements directly and favorably impact the success of investments. The prospect element, in particular, has the most impact on the choice and performance of investments. The study's main conclusions point to the significance of heuristics, prospects, markets, and herding in influencing investment performance and decision-making. The most significant influence on investment decision-making comes from prospects ($\beta = 0.275$). The effect of heuristic was the second highest at $\beta = 0.257$, followed by herding at $\beta = 0.202$, and market at $\beta = 0.189$, which had the least influence. The prospect factor has a greater influence on investment performance than the market and heuristic herding.

Karmacharya et al. (2022) investigated effect of perceived behavioral factors on investors' investment decisions in stocks: evidence from Nepal Stock Market. This study investigates if the performance of the Nepal Stock Exchange (NEPSE) is influenced by perceived behavioral characteristics that influence the decisions made by particular investors. The study's 350 randomly selected samples, which were acquired from various brokerage businesses in 2018, were limited to five major cities. Market, heuristic, and herding factors are the four behavioral variables that have the biggest effects on investment performance, according to a structural model study of the data. According to this report, investors are becoming more and more reliant on market sentiment and information. According to research findings, in order to profit from the market, investors need take into account both the stock's fundamentals and their own behavior.

Dhungana et al. (2022) investigated effect of cognitive biases on investment decision making: A case of Pokhara Valley, Nepal. The purpose of this study is to investigate how cognitive biases affect investment choices in Nepal's Pokhara Valley. The impact of five cognitive biases on logical investment decision-making is assessed, including regret aversion, overconfidence, availability, anchoring, and herd instinct. The Pokhara Valley is home to seven brokerage companies, and 179 respondents who invest in the stock market were chosen by the researchers. To analyze the data, both descriptive and inferential analyses are performed. The study found no relationship between regret aversion and anchoring biases and irrational investment decisions; nevertheless, there is a correlation between irrationality in financial decision making and availability, overconfidence, and herding instinct biases. Overconfidence bias, however, has the most influence, even if all the biases have a positive correlation with irrational investing decisions. Among the four biases, regret aversion bias had the least effect on investing choices.

Septian et al. (2022) investigated impact of behavioral factors among Indonesian individual investor towards investment decisions during Covid-19 pandemic. Analyzing the influence of behavioral factors on investment decisions made by Indonesian individual investors is the primary goal of the study. The foundation of behavioral finance theory is covered in the first section of this study, after which the hypothesis is investigated through the collecting of questionnaires from 295 respondents. The structural equation model (CB-SEM) is used to analyze data, and LISREL 8.80 software is utilized for this purpose. The findings show that, during the COVID-19 epidemic in Indonesia, heuristic and market behavioral bias have a beneficial impact on individual investors' investment decisions, but behavioral bias components like prospects and herding have a negative impact.

Sapkota and Chalise (2023) assessed investors’ behavior and equity investment decision: an evidence from Nepal. This study examined the influence of investors’ behavior on equity investment decisions based on quantitative research philosophy and utilized descriptive cum analytical research design. The sample comprised 400 individual investors drawn from the top 10 brokerage firms; 40 of these individuals made equity investment decisions in the Nepalese stock market based on a first-come, first-served basis and were willing to complete the survey. Data was collected from 293 respondents using a self-administered, closed-end, structured questionnaire with a 5-point Likert type. Two instances of descriptive and inferential statistics that were employed in the data analysis multiple regression analysis and the correlation coefficient. This study found that neutral information, accounting information and self-image had significant positive impact on equity investment decision. Likewise, advocate recommendation and personal financial needs had significant positive impact on investment decision. However, gender is not an influencing factor.

Gurung et al. (2024) investigated unraveling behavioral biases in decision making: a study of Nepalese investors. The main objective of the study was to examine the impact of behavioral biases on investment decisions made by Nepalese investors, or people in general who trade actively in the nation's stock market. The response variable was investment decisions, and the explanatory variables included overconfidence, representative, anchoring, regret aversion, and herding biases. A structured questionnaire containing 379 observations was used in the study to establish correlations using a linear regression model. The study found that among Nepalese investors, regret aversion, anchoring, and overconfidence biases significantly influenced their investing decisions. On the other hand, herding behavior did not significantly correlate with investment decisions, and the effects of representational bias had no impact on investment decisions. Therefore, it implies that in the Nepalese financial market, behavioral biases have a stronger influence on individual investing decisions.

Table 1

Summary of Empirical Review

S.N.	Authors	Title	Objectives	Methodology	Major Findings
1	Javed, M. A., & Marghoob, S. (2017).	The effects of behavioural factors in investment decision making at Pakistan stock exchanges.	The present study was an endeavour to investigate the effect of behavioural elements on individual investors and institutional mangers in the stock exchanges of Pakistan.	The current study practiced descriptive statistics, reliability, regression and correlation analysis.	The result found that prospect factor possesses four variables that had significant impacts on the investment decision making: loss aversion, regret aversion, and mental accounting. Loss aversion ranks as the variable having the highest impact on the decision making of the investors. Since overconfidence had positive impacts on the investment decision.
2	Sashikala V. & Chitramani, P. (2018).	The impact of behavioural factors on investment intention of equity investors.	The major objective of the study is to identify the impact of behavioural factors on investment intention of individual investors.	The study used descriptive statistics and regression for analyzing the data.	This study found that prospect factors and herding factors are the strongest predictors of variations in short term investment intention. The other factors namely, heuristics and market factors did not have a significant effect on short term investment intentions. On the other hand, the regression findings found that prospect factors and market factors had a great impact on long term investment intention.
3	Adhikari, P. L. (2020).	Factors influencing investment decisions of individual investors at Nepal stock exchange.	The main purpose of the analysis was to identify the factors affecting individual investors' investment decisions on the Nepal Stock Exchange.	In this study, data were analyzed using frequencies, mean scores, standard deviations, percentages, and factor analysis techniques.	This study found that accounting information was the most significant factors on individual investment decisions. Self-image/firm image, advocate information and Neutral information are the second, third and fourth factors respectively that influence individual investors investment decisions. Finally, personal financing needs was the last influencing factors.

4	Rajeshwaran, N. (2020).	Performance of CSE investors in eastern province of Sri Lanka.	The main objective of the study was to identify behaviour of CSE investors in Eastern province of Sri Lanka; second, to examine how behavioural factors impact on investment performance of CSE investors in the province.	Mean, standard deviation, correlation and multiple regression were applied.	Results showed that all four behavioural factors and investment performance have fallen to moderate levels. Heuristic variables are positively related with investment performance while other variables namely prospect variables, market variables and Herding variables are negatively related with investment performance.
5	Baral, S., & Pokharel, P. R. (2020).	Behavioral factors and investment decision: A case of Nepal.	The main objective of this study is to examine the investors' opinions or behavior in Nepalese stock market.	Correlation analyses were used to analyze the data.	This study showed that market factor had significant impact on the investment performance. The findings of the study suggested that heuristic (including anchoring, representative, overconfidence, availability bias and gamble's fallacy), herding (choice of trading stocks; buying and selling; volume of trading stocks, speed of herding) and prospect (loss aversion, regret aversion, and mental accounting) had no significant relationship with investment performance.
6	Elhussein, N. H. A., & Abdelgadir, J. N. A. (2020).	Behavioral bias in individual investment decisions: Is it a common phenomenon in stock markets?	This study aimed to investigate the behavioral factors that influence individual investment decision making at a developing country stock market.	Correlation and Regression methods are used to conduct the analysis	The study demonstrated that heuristic and market factors play a dominant role in the process of individual decision making in the Khartoum Stock Exchange. The factors that had a significant impact on individual investment decision making process include representativeness, overconfidence, anchoring, historical cost of stock, customer preferences, loss aversion, mental accounting, other investors' trading volume, and quick reaction to changes in other investors' decisions.

7	Silwal, P. P., & Bajracharya, S. (2021).	Behavioral factors influencing stock investment decision of individuals.	The purpose of this study was to identify the behavioral factors influencing individual investors' decisions	The study employed exploratory and confirmatory factor analysis. In addition, structural equation modeling is applied for the testing of the hypotheses.	This study found 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.
8	Ong'eta, J. O. (2021).	The controlling effect of investment decisions on the behavioral factors influencing investment performance of individual investors in Nairobi Security Exchange.	The major goal of this research was to analyze the controlling influence of investment decision on the behavioral factors that influence individual investors' investment performance	This study used multiple regression analysis to analyze the data.	This study found that herding factor had significant negative impact on investment performance while prospect factor had significant positive impact on interment performance. Finally, heuristic factors had significant positive impact on investment performance of the individual investors in Nairobi Securities Exchange.
9	Kunwar, K. (2021).	The relationship of behavioral factors with investment performance of individual investors in the Nepali stock market.	The purpose of the study was to explore understanding of the behavioral biases of individual investors in Nepal Stock Exchange	The correlation analysis was conducted to identify an association of investor performance	The results revealed that behavioral biases like heuristics, prospects, market factor and herding effect are present among individual investors in Nepal. Among the factors, the investment performance of investors is found to be influenced by heuristics and market factors. The heuristic behaviors are found to have the highest and positive influence on the investment performance.
10	Gyawali, I., & Neupane, G. (2021).	Individual investors psychology and investment decision in NEPSE.	This study attempted to examine individual investor's psychology and their investment decision in	Descriptive and multiple regression analysis were used to analyze the data	This study showed that overconfidence, herding and loss aversion had impact on investment decision whereas anchoring, mental accounting and regret aversion did not have an impact on individual

			NEPSE		investors investment decision. The result further showed that cognitive and emotion biases both had positive and significant influence on the investment decision of investor in Nepalese stock exchange.
11	Cao, M. M., Nguyen, N. T., & Tran, T. T. (2021).	This study aimed to clarify the relationship between financial behavior and investment decisions as well as its impact on investment results.	Behavioral factors on individual investors' decision making and investment performance: A survey from the Vietnam stock market.	The main analytical methods used are Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM).	Research results showed that heuristic, prospect, market, and herding directly and positively affect investment decision-making. Besides, the above factors had a direct and positive effect on investment performance. In particular, the Prospect factor had the strongest influence on investment decision-making and investment performance.
12	Karmacharya, B., Chapagain, R., Dhungana, B. R., & Singh, K. (2022).	Effect of perceived behavioral factors on investors' investment decisions in stocks: Evidence from Nepal Stock Market.	This study explored whether the perceived behavioral factors impelling specific investors' decision making to contribute to the Nepal Stock Exchange (NEPSE) performance.	The statistical techniques used are descriptive, confirmatory factor analysis, and structural equation modeling.	This study showed that prospect variable had insignificant negative impact on investment performance. However, market, heuristic, and herding factors have significant effects on investment performance. This study observes more reliance and dependence of investors on market information and sentiments.
13	Dhungana, B. R., Bhandari, S., Ojha, D., & Sharma, L. K. (2022).	Effect of cognitive biases on investment decision making: A case of Pokhara Valley,	This study aimed to examine the effect of cognitive biases on investment decisions in Pokhara	Both descriptive and inferential analyses were made to analyze the data.	The study discovered a link between irrationality in financial decision making and availability, overconfidence, and herds instinct biases, but anchoring and regret aversion biases had no effect on irrational investment decisions. However, though all the biases

		Nepal.	Valley, Nepal.		had a positive relationship with an irrational investment decision, overconfidence bias had the highest impact.
14	Septian, W., Hasnawati, S., & Hendrawaty, E. (2022)	Impact of behavioral factors among Indonesian individual investor towards investment decisions during Covid-19 pandemic.	The main objective of the study was to analyze the impact of behavioral factors among Indonesian individual investor towards investment decisions.	Data were analyzed using a structural equation model (CB-SEM) with the help of LISREL 8.80 software.	The results found that heuristic and market behavioral bias had a positive influence on individual investors' investment decisions, while behavioral bias factors such as prospects and herding negatively influence individual investors' investment decisions during the COVID-19 pandemic in Indonesia.
15	Sapkota, M. P., & Chalise, D. R. (2023).	Investors' behavior and equity investment decision: An evidence from Nepal.	This study examined the influence of investors' behavior on equity investment decisions.	Two instances of descriptive and inferential statistics that were employed in the data analysis multiple regression analysis and the correlation coefficient.	This study found that neutral information, accounting information and self-image had significant positive impact on equity investment decision. Likewise, advocate recommendation and personal financial needs had significant positive impact on investment decision. However, gender is not an influencing factor.
16	Gurung, R., Dahal, R. K., Binod Ghimire, B., & Koirala, N. (2024).	Unraveling behavioral biases in decision making: A study of Nepalese investors.	The main objective of the study was to examine the impact of behavioral biases on investment decisions made by Nepalese investors.	A structured questionnaire containing 379 observations was used in the study to establish correlations using a linear regression model.	The study found that among Nepalese investors, regret aversion, anchoring, and overconfidence biases significantly influenced their investing decisions. On the other hand, herding behavior did not significantly correlate with investment decisions. Moreover, the effects of representational bias had no impact on investment decisions.

2.3 Research Gap

The literature provided several important insights for the investigation, such as empirical support for the variables' indicators and theoretical stances that have been used to the research of investment choices. Nonetheless, a number of information gaps became apparent, which the research attempted to try to fill. First, it becomes clear that the studies that have already been done have likewise used a wide approach, looking at elements that fall under the behavioral and economic categories rather than concentrating on a single, distinct aspect. Not only that, but earlier studies concentrated on behavioral variables in general, whereas this study explicitly tested behavioral components in each of their sub classifications. Because of differences in culture, environment, investment types, and research gaps due to incomplete understanding and limited categories of characteristics, research conducted in one country may not apply to another. However, while earlier research focused on certain variables, this study focuses more on behavioral issues. Consequently, the aforementioned gaps required to be filled by this investigation.

Furthermore, inferential statistics have not been used in any of the research that are currently available to examine the relationship between behavioral characteristics and investing decisions. In light of this, the proposed study is to look into how behavior determinants affect Nepalese retail stock investors' decisions to purchase equity shares at the Nepal stock market. This dissertation primarily focuses on the Kathmandu Valley area within the framework of the Nepalese stock market. Several methods that were not taken into consideration in earlier studies were used in this study to examine the data, including descriptive statistic, correlation analysis and multiple regression analysis.

CHAPTER III
RESEARCH METHODOLOGY

The term "research methodology" describes the several procedures a researcher may use to investigate a topic with certain goals in mind. Stated differently, research methodology encompasses the many approaches and strategies utilized by the investigator in every domain of the investigation. Moreover, research methodology offers a methodical approach to solving the research topic. It outlines the procedures, instruments, methods, and approaches applied to the data analysis and report writing.

3.1 Research Design

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

3.2 Population and Sample, and Sampling Design

A sample is a smaller representation of a larger total than sampling, which is the act of selecting a portion of the studied population at random. The population of the current study consists of all investors in different companies listed on the NEPSE, such as manufacturing, hydropower, commercial banks, development banks, finance, insurance, and other industries. Total of 400 potential investors are taken using purposive sampling method to extract required information.

3.3 Nature and Sources of Data, and Instruments of Data Collection

In order to get information from investors on behavioral factors and how they affect their investing decisions in the Nepalese stock market, primary data is utilized. Investors receive a structured series of five-point Likert scale surveys.

3.4 Method of Analysis

The specific questionnaire used for this study is intended to collect data from the sample. A series of questionnaires is used in the study, and attitudes and views are measured using a rating system. Respondents are asked to rate each item on a likert scale of agreement or satisfaction using this scale. Examples of these are strongly disagree, disagree, agree, and highly agree. Excel and SPSS are used in this study to record the data. In the study, a number of statistical methods have been used. The case is examined using the subsequent statistical instruments.

3.4.1 Descriptive Statistic

Mean

The mean, which is obtained by dividing the total number of values by the number of values, is the arithmetic mean of a range of values or quantities. It alludes to the average that is examined or utilized to determine the data's central tendency. A widely used and easily understood metric of central tendency is the arithmetic mean. To find it, tally up all of the population's data points, then divide the total by the number point. The mean is computed in this study to determine the average of the respondents' answers to the various variables in the Likert scale question. On all samples, the mean value of the answers to the Likert scale question is computed.

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

Where,

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

n = No. of statements

Standard Deviation

The standard deviation, which measures dispersion, is used to express how much a collection of data values vary or are dispersed. The positive square root of variance is one way to describe it. One helpful characteristic of the standard deviation is that, in contrast to variance, it has the same units of measurement as the data. There is a larger deviation within the data set if the data points deviate further from the mean. Therefore, the standard deviation increases with data dispersion. The standard deviation is computed for each sample in this study based on the Likert scale responses.

Standard Deviation (S.D.) = $\sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$

Where,

X = Value of responses of each dependent or independent variable

$\bar{X}$ = Mean value of responses of each dependent or independent variable

n = No. of responses

Variance

The difference in numbers within a collection of data is measured as variance. Each number in the set's variance indicates how far it deviates from the mean. The difference between each value in the set and the mean is taken, the differences are squared, and the sum of the squares is divided by the total number of values in the set to determine the variance. Variance for the Likert scale responses given for each sample in this study is computed. A statistical measure of how much a set of observations differs from one another is called variance. Since variance quantifies the variability from an average or mean, it is utilized in statistics for probability distribution.

ANOVA

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

3.4.2 Inferential Statistics

Correlation Coefficient (r)

The relationship between an independent variable and another independent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value. To determine the degree of relationship between independent and dependent variables for each sample in this study, correlation is computed for the responses given on a Likert scale.

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

Where,

X = Value of independent variable

Y = Value of dependent variable

n = Number of responses

t- Statistics

It is used in hypothesis testing via Student's t-test. The t-statistic is used in a t-test to determine whether to support or reject the null hypothesis. Set up Hypothesis

Null hypothesis (H_0); $\rho = 0$ i.e. There is no correlation between the considered variables.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. There is significant correlation between the considered variables.

Test statistic under H_0;

$$t_{cal.} = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where,

r = Sample correlation between two variables

r^2 = Coefficient Determination

n = No of Pair of observations

Level of significance: Level of significance $\propto$ = 5 percent

Critical Value: Tabulated or critical value of t at $\propto$ percent level of significance for (n - 2) degree of freedom obtain from 't' tables.

Decision

i. If calculated ‘t’ is less than or equal to tabulated value of ‘t’ it falls in the accepted region and the null hypothesis is accepted and if calculated ‘t’ is greater than tabulated ‘t’ null hypothesis is rejected.

ii. If p-value calculated is less than the level of significance i.e. 5 percent, null hypothesis is rejected and if p-value calculated is higher than the level of significance i.e. 5 percent, null hypothesis accepted.

Regression

One statistical tool used to assess the strength of a link between one dependent variable and one or more independent variables is regression. It covers a wide range of methods for modeling and examining several variables in order to determine how they relate to one another. Regression analysis is used in this study to determine the direction of the association between the independent and dependent variables for each sample based on Likert scale responses. The performance of investment decisions (the dependent variable) is compared to the explanatory variables using regression analysis. The theoretical model for the relationship is formulated as equation below:

$IDP = \beta_0 + \beta_1 HF + \beta_2 PF + \beta_3 MF + \beta_4 HF + \varepsilon$

Where,

IDP= Investment Decision Performance

HF= Heuristic Factors

PF= Prospect Factors

MF = Market Factors

HDF = Herding Factors

β_0 = The intercept (constant)

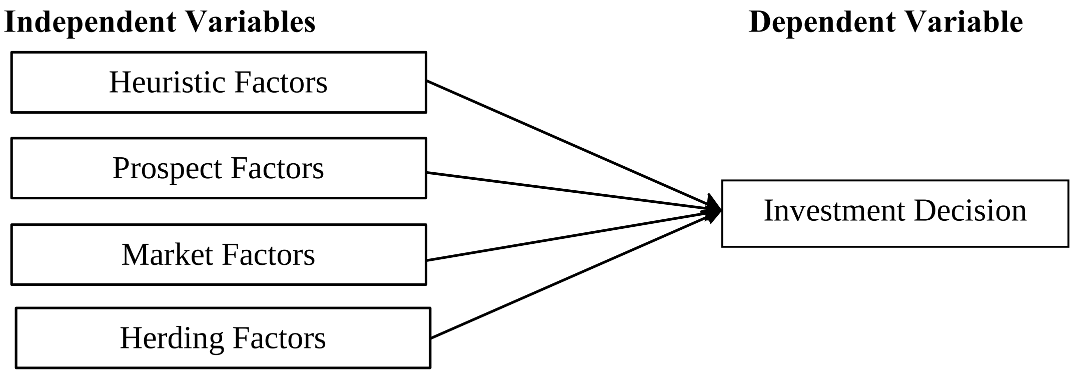
β_1, β_2, β_3, β_4= Coefficient of variables

ε = Error term.

3.5 Research Framework and Definition of Variables

A conceptual framework is a representation of the relationship the researcher expects to see between variables, or the characteristics or properties that researcher want to study. The main objective of this study is to examine the effect of behavioral factors on investors’ investment decisions in stock market. In the previous researches of Silwal, and Bajracharya (2021; Pokharel and Baral (2020); Ong’eta (2021) and

Karmacharya et al. (2022) used behavioral factors such as heuristic factors, prospect factors, market factors, and herding factors and dependent variable i.e. investment decision. Thus, the following conceptual model is framed to summarize the main focus and scope of this study in terms of variables included.



Source: Silwal, and Bajracharya (2021; Pokharel and Baral (2020); Ong'eta (2021) and Karmacharya et al. (2022)

Figure 1 Research Framework of the Study

Dependent Variable

Individual investment decision-making level is the study's dependent variable. A psychometric tool called an individual investment decision is specifically intended to gauge an investor's financial behavior.

Investment Decision

The return on an investment portfolio informs investment decisions. If the portfolio yields the highest return at a particular risk level, it is considered to have outperformed. According to traditional finance theory, portfolio performance is enhanced by rationality. But new research on financial behavior reveals that people's emotional preferences, deeply entrenched cognitive patterns, and psychological biases influence how individuals view the world and make judgments when it comes to investing (Elhussein & Abdelgadir, 2020). As a result, the observed variable for gauging the performance of our investments has been satisfaction with the current return, the excess return of the portfolio over the market, and the historical return trend. The choice to invest is then used as the dependent variable in the structural model, and other behavioral variables such as prospect, market, herding, and heuristics are used as the independent variables.

Independent Variables

To examine the impact of behavioral factors on stock market investment decisions, this study's independent variable comprises four elements: heuristic factors, prospect factors, market factors, and herding factors.

Heuristics Factors

Heuristics are the fundamental guidelines that deal with carrying out actions in accordance with the process of making the right decisions, particularly in complicated and uncertain scenarios by reducing the complexity of a particular operation and by employing various probabilities with respect to forecasting values. Although this theory can lead to biases, it is appropriate in situations when time is restricted (Waweru et al., 2008). Heuristics include overconfidence, availability bias, anchoring, and the Gambler's fallacy (Pokharel & Baral, 2020; Karmacharya et al., 2022).

Prospect Factors

Expected Utility Theory (EUT) and Prospect Theory are acknowledged as two decision-making techniques in the discipline, in contrast to the points of view. Whereas EUT concentrates on logical decision-making, Prospect Theory stresses the internal value system of investors (Filbeck et al., 2005). The Prospect Theory addresses the psychological aspects of people's decision-making processes, such as mental accounting, loss aversion, and regret aversion. The prospects (loss aversion, regret aversion, and mental accounting) proposed by Pokharel and Baral (2020) showed no discernible correlation with investment decision. Silwal and Bajracharya (2021) found, there was a negative link between investment decision and prospect behavioral factors.

Market Factors

Ongeta (2021) mentioned that the investors may respond irrationally to news or price fluctuations; they may apply historical patterns incorrectly to future prices; they may be unable to concentrate on the basic study of the underlying stock; or they may prioritize popular stocks. Cycles in the price of stocks Waweru et al. (2008) identified the price fluctuations, market information, historical stock trends, consumer preferences, overreaction to price movements, and the fundamentals of the underlying equities are some of the market elements that have an impact on investors' decision-making.

Herding Factors

Investors’ tendency to imitate the activities of others is known as a herding factor in the financial market (Pokharel & Baral, 2020). In order to ensure that their investment price stays true to the underlying market value, investors typically give top priority to the decisions made by a large number of people when making investments. As a result, several investment possibilities based on current knowledge may be affected. Silwal, and Bajracharya (2021) found that herding factor are found to have positive correlation to investment.

CHAPTER – IV
RESULTS AND DISCUSSION

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

4.1 Results

4.1.1 Respondents Demographic Profile

The demographic analysis and interpretation of primary data obtained via surveys are covered in this section. The gender analysis of the respondent profile is done in this part. Every respondent is from Kathmandu Valley.

Table 2

Gender Specification

Options	No. of Respondents	Response (percent)
Male	274	68.50
Female	126	31.50
Total	400	100

Source: Field Survey, 2024

Table 2 shows the distribution of the respondents on the basis of gender. In this study, information is gathered from 400 participants and examined, with a focus on the Kathmandu Valley. Male respondents made up 68.50 percent of the total respondents, which suggests that male investors make up the majority of the population. Compared to female respondents, the majority of the 400 respondents' responses are from men. However, when asked about behavioral characteristics and how they affect stock market investors' decisions to invest, 31.50 percent of the respondents were female.

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

Table 3

Age Description of Respondents

Options	No. of Respondents	Response (percent)
18-25	50	12.50
26-35	312	78.00
36 and above	38	9.50
Total	400	100

Source: Field Survey, 2024

According to Table 3, which provides an age description of the respondents, 78.00 percent of the respondents are in the 26–35 age range in the Kathmandu Valley. The age group of 36 and older makes up the smallest percentage of stock market investors. Nonetheless, the bulk of responders are young. Furthermore, of those who responded, 9.50 percent identified as belonging to the 18–25 age group and 12.50 percent as representing the 36 and older age group. This suggests that 90.50 percent of all stock market investors in Nepal are young, active individuals who are able to make stock market investments, among other things.

Table 4

Education Level of the Respondents

Options	No. of Respondents	Response (percent)
PCL and below	0	0.00
Bachelor	234	58.50
Masters/PHD	166	41.50
Total	400	100

Source: Field Survey, 2024

Table 4 presents the educational profile of the respondents. As to the report, of the 400 investors who were questioned, 234 (58.50 percent) had a bachelor's degree, while 166 (41.50 percent) had a master's degree. Additionally, no investor with a PCL or less has made an investment or there is no respondent PCL and below education in this study. The results suggest that most of the respondents who were questioned could read and comprehend the questionnaires that were utilized for this investigation. As a result, the respondents were able to give accurate responses and demonstrated that they were aware of how behavioral aspects affect stock market investing decisions.

Table 5

Investors Experience

Options	No. of Respondents	Response (percent)
Fresher	136	34.00
1-5 years	184	46.00
5-10 years	64	16.00
10 years and above	16	4.00
Total	400	100

Source: Field Survey, 2024

Table 5 also included details on the respondent's stock market investment background. Of the 400 respondents, 184 (46.00 percent) have been investing for one to five years, while 136 (34.00 percent) have been investing for a shorter period of time. Furthermore, it is found that 16 respondents, or 4.00 percent, have been investors for 10 years or more, whereas 64 respondents, or 16.00 percent, have been investors for five to ten years.

4.1.2 Summary of Descriptive Analysis

The mean value and standard deviation of each variable were used to determine the effect of behavioral factors on investors’ investment decisions in stock market. The data that have been gathered have been examined using descriptive analysis, which has helped with data summarization and description. Table 6 summarizes the descriptive analysis’s specifics.

Table 6

Summary of Descriptive Analysis

Study Variables	Mean	Std. Deviation
Heuristic Factors	3.5050	.95512
Prospect Factors	3.5158	.89696
Market Factors	3.5600	.92624
Herding Factors	3.4858	.94565
Investment Decision Performance	3.4350	.97544

Source: Appendix-II

The results of the study show that, as shown in Table 6 the performance of investment decisions has a mean score of 3.4350, which denotes a moderate level. With the exception of the components, which fall between 3.4858 and 3.5600, it shows that every behavioral component element is at a high level. The elements with the highest mean score value of 3.5600 were the market factors, followed by heuristic factors, prospect factors, and herding factors. The highest mean score of 3.5600 indicates that the market component is the primary focus of this investigation. The total value of the highest mean score of 3.5600 suggests that the market component is the main element in this study. Then, it's clear that the majority of investors feel that their level of investment decision-making is high and that market factors have a significant impact on their performance. A total mean score of 3.4350 was obtained by the investment decision performance (IDP), while prospects factors (PF), market factors (MF), herding factors (HF), heuristic factors (HF), and herding factors (MF) received scores of 3.5050, 3.5158, 3.5600 and 3.4858 respectively.

4.1.3 Correlation Analysis

The influence of behavioral characteristics on stock market investing decisions is investigated using correlation analysis. The relationship between the dependent and independent variables investment choice performance and behavioral factors—is shown in the following tables. Correlation analysis was used in this study to determine the connection between the variables. Using the SPSS software, the researcher determined the correlation coefficient value in this analysis. The general association between behavioral characteristics and investors' performance in making investment decisions was the main focus of the correlation analysis.

Table 7

Pearson Correlation Coefficients of Study Variables

	HF	PF	MF	HDF	IDP
Heuristic Factors (HF)	1				
Prospect Factors (PF)	.742**	1			
	.000				
Market Factors (MF)	.668**	.665**	1		
	.000	.000			
Herding Factors (HDF)	.658**	.656**	.629**	1	
	.000	.000	.000		
Investment Decision Performance (IDP)	.652**	.670**	.660**	.664**	1
	.000	.000	.000	.000	

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

Source: Appendix-III

Table 7 shows the results of the correlation test for both the dependent and independent variables using a correlation coefficient matrix. The correlation analysis shows that heuristic factors have significant positive relationship with investment decisions, with a significant value of 0.000 and a coefficient of 0.652. Likewise, the correlation coefficient between prospect factors and investment decision performance is 0.670, with a significant value of 0.000. Thus, it is obvious that prospect factors and investment decision performance have a significant positive relationship ($P<0.05$). Additionally, there is a significant positive association ($P<0.05$) between market factors and investment decision performance, as indicated by the correlation value of 0.660, which has a significant value of 0.000. It can be concluded that there is a substantial positive link ($P<0.05$) between herding elements and investment choice performance based on the correlation value between the two variables, which is 0.664 and has a significant value of 0.000.

4.1.4 Multiple Regression Analysis

A wide range of modeling and analysis tools are used when the relationship between the independent variables (market, prospect, heuristic, and herding factors) and the dependent variable (investment performance), also known as the investment choice, is the main emphasis.

Table 8

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.584	.580	.63241

a. Predictors: (Constant), HDF, MF, PF, HF

Source: Appendix-IV

The R square is 0.584. The implication therefore is that, 58.40 percent of the variation in the dependent variable (investment decision performance) is explained by the independent variables (heuristic factors, prospect factors, market factors and herding factors). In this study, the R statistic is 0.764, indicated that there is strong relationship between study variables. This implies that the investment decision performance was highly influenced by its independent variables. Standard error of estimate is flawlessly associated with regression analysis.

Table 9

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	221.667	4	55.417	138.563	.000[b]
	Residual	157.976	395	.400		
	Total	379.643	399			

a. Dependent Variable: IDP
b. Predictors: (Constant), HDF, MF, PF, HF

Source: Appendix-IV

An analysis using ANOVA (F-value) suggests that the impact of dependent variables can be explained by the greatest number of potential combinations of predictor variables. Findings indicate that the performance measure for investment decisions has a major impact. The results indicate a significant relationship between the independent variables and the dependent variable (investment decision performance), as demonstrated by the F-values of 138.563 ($p = 0.000 < 0.05$) for heuristic factors, prospect factors, market factors, and herding factors as a proxy for investment decision performance.

Table 10

Regression Coefficient of Independent Variables on Investment Decision Performance

Variables	Coefficients	t-statistics	Sig. or p-value
(Constant)	.178	1.250	.212
Heuristic Factors (HF)	.150	2.758	.006
Prospect Factors (PF)	.242	4.188	.000
Market Factors (MF)	.259	5.138	.000
Herding Factors (HDF)	.275	5.642	.000

a. Dependent Variable: IDP

Source: Appendix-IV

Table 10 presents the regression coefficient of heuristic factors, prospect factors, market factors and herding factors and the intercept value of dependent variable investment decision performance. The coefficient of regression β for heuristic factors is 0.150. According to the findings, if on unit heuristic factors increases, investment decision performance increases by 0.150 units. The p value of heuristic factors value is 0.000, meaning that they are statistically significant at the five percent significance level. Heuristic components, therefore, have a significant positive influence on the performance of investment decisions. The coefficient of regression β for prospect factors is 0.242. According to the statistics, the performance of investment choices increases by 0.242 units for every unit change in prospect factors. Furthermore, at the five percent significance level, the shift is statistically significant, as indicated by the prospect factors' p value of 0.000. Hence, this is significant positive effect of prospect factors on investment decision performance.

The coefficient of regression (β) for market factors is 0.259. These statistics show that for every one unit increases in a market factor, investment decision performance increased by 0.259 units. At the five percent significance level, the market factors' p value of 0.000 indicates that they are statistically significant. Therefore, the performance of investment selections is greatly benefited by market conditions. Lastly, for herding components, the coefficient of regression β is 0.275. Investment decision performance improved by 0.275 units if each herding factors increased by one, according to the data, and the herding factors' p value of 0.000 shows that the rise is statistically significant at the five percent significance level. As a result, herding factors has significantly positive effect on investing decisions performance.

4.2 Discussion

The main objective of the study is to analyze the impact of behavioral factors on investors' investment decisions in stock market. This study is also focused on relationship between behavioral factors (like heuristic factors, prospect factors, market factors and herding factors) and investment decision. Research and previous literature supports the relationship between heuristic factors, prospect factors, market factors and herding factors and investment decision performance. The research literatures prove that these factors directly impact on investment decision performance.

This correlation analysis found that heuristic factors have significant positive relationship with investment decision performance which is consistent with the finding of Rajeshwaran (2020) concluded that positive and significant relationship between heuristic factors and investment decision performance. This is also consistent with the finding of Baral and Pokharel (2020); Elhussein and Abdelgadir (2020); Kunwar (2021). Likewise, prospect factors have positive and statistically significant relationship with investment decision performance. The result is consistent with Baral and Pokharel (2020) which observed positive relationship between prospect factors and investment decision performance. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran (2020) which observed that prospect factors have negative relationship with investment performance.

The correlation analysis also shows that market factors have significant positive association with investment decision performance. The result is similar with the findings of Baral and Pokharel (2020) mentioned that market factors have positive and significant positive relationship with investment decision performance. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran (2020) which observed that market factors have insignificant negative relationship with investment performance. At the same time, there is positive and significant relationship of herding factors and investment decision performance. This finding is similar with the previous study of Baral and Pokharel (2020) concluded that herding factors has positive relationship with investment decision performance. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran (2020) which observed that herding factors have insignificant negative relationship with investment performance.

The multiple regression analysis found that heuristic factors have significant positive impact on investment decision performance in stock market. This is consistent with the finding of Sashikala and Chitramani (2018). The result is also consistent with Rajeshwaran (2020); Septian et al. (2022). Likewise, the prospect factors have significant positive impact on investment decision performance in stock market. This finding is similar with the prior study of Ong’eta (2021). This result is also consistent with the finding of Sashikala and Chitramani (2018) found that prospect factors had significant positive impact on investment decision performance. The result is also consistent with Ong’eta (2021). However, it contradicts with the finding of Rajeshwaran (2020); Septian et al. (2022) which observed that prospect factors have negative effect on investment performance.

At the same time, the market factors have significant positive impact on investment decision performance. This result is consistent with the finding of Sashikala and Chitramani (2018). Moreover, this study also line with the prior study of Septian et al. (2022) mentioned that market factors had significant positive influence on investment decision performance but opposite to the finding of Rajeshwaran (2020). Finally, the herding factors have significant positive impact one investment decision performance. This is consistent with the finding of Sashikala and Chitramani (2018). However, it contradicts with the finding of Rajeshwaran (2020); Ong’eta (2021); Septian et al. (2022) which observed that herding factors have negative effect on investment performance.

CHAPTER – V
SUMMARY AND CONCLUSION

5.1 Summary

The emergence of behavioral finance has led to the identification of several concepts that lead to people making poor decisions and acting irrationally in unpredictable circumstances. It makes sense to us why investors buy, hold, or sell assets without performing a fundamental analysis since asset valuations might diverge from their intrinsic value, undermining the idea of market efficiency. Every investor constructs his portfolio based on his own investing objectives and risk tolerance. These anticipated decision-making processes and the information derived from market participants are becoming more and more improbable in today's global financial markets. Another behavioral finance component that influences decision-making is rational decision-making, in which people respond to opportunities and dangers in the market by critically examining the numerous market scenarios that are available and adhering to a certain course of action. The purpose of this study was to examine the variables influencing individual investors' choices in the Nepali stock market. The study also aims to investigate how different factors influence people's investing behaviors and how those actions are influenced by themselves. Additionally, the study looked at how each element was impacted by the overall investing behavior of investors.

The major objective of this study is to analyze the effect of behavioural factors on investors' investment decisions in stock market. The other specific objectives are to assess the behavioural factors influencing the investors' investment decisions, to analyze the relationship between behavioural factors and investors' investment decisions and to evaluate the impact of behavioural factors on the investors' investment decisions in Nepalese share market. This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the behavioral biases of stock investment decisions of Nepalese investors. This study adopts descriptive research design to analyze the behavioral biases characteristics and status which can help take investment decision in Nepalese stock market. Causal research design uses to find the cause and effect of behavioral factors on investment decision of investors. Since all the investors within Kathmandu Valley of different companies listed in NEPSE such as commercial banks, development banks, finance, insurance, manufacturing, hydropower and other are considered are the population but only 400 investors are the sample of this study. The primary data is used to extract the information from the investors regarding the behavioral factors and its impact on investment decision of investors in Nepalese stock market. In this study, descriptive analysis, correlation analysis and multiple regressions are applied by using SPSS version 26. This study use investment decision performance as dependent variable and heuristic factors, prospect factors, market factors and herding factors are the independent variables.

This study found that investors agreed that market factors and prospect factor highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant position association between heuristic factors and investment decision performance. Similarly, prospect factors have significant positive relationship with investors' investment decision. At the same time, there is significant positive association between market factors and investment decision performance. Moreover, correlation value between herding factors and the investment decision performance is significant positive. The regression analysis shows that there is significant positive effect of heuristic factors on investment decision performance. Then, there is also significant positive effect of prospect factors on investment decision performance. At the meantime, market factors have significant positive impact on investment decision performance. Finally, herding factors have significant positive effect on investment decision performance. However, all the behavioral factors have significant impact on investors' investment decision in stock market.

5.2 Conclusion

It can be concluded that heuristic factors, prospect factors, market factors and herding factors are the major factors of investors' investment decision in Nepalese stock market. Specially, this study concluded that investors agreed that market factors and prospect factor highly affects investors' investment decision in stock market among the other variables.

The correlation analysis concluded heuristic factors have significant position relationship with investment decision performance. Likewise, prospect factors have significant positive relationship with investors' investment decision. At the meantime, there is significant positive association between market factors and investment decision performance. Finally, correlation value between herding factors and the investment decision performance is significant positive.

The regression analysis concluded that the effect of heuristic factors on investment decision performance is significant positive. Then, there is also significant positive effect of prospect factors on investment decision performance. At the meantime, market factors have significant positive impact on investment decision performance. Moreover, herding factors have significant positive effect on investment decision performance. Therefore, all the behavioral factors are the major indicators of investment decision of investors because these factors have significant impact.

5.3 Implications

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

- The finding revealed that heuristic factors, prospect factors, market factors and herding factors have the significant positive influence on investment decision. The research's findings encouraged the Nepal Stock Exchange to intensify its efforts to raise investor awareness of education since doing so is essential to preventing poor investing results brought on by behavioral factors. Accounting and financial seminars are necessary in order to enhance accounting proficiency, which will ultimately enhance the ability to evaluate securities before acquiring and purchasing them.
- In addition to the factors explored by earlier research and derived from popular behavioural finance theories, this study also introduced new factors derived from in-person interviews that have been found to impact Nepalese stockholders' investment decisions. These factors appear to exert the greatest influence on the individual stock investor.
- Some of the most recent information, statistics, and concerns about investor decision-making behavior and behavioral aspects may be found in this

research. Therefore, investors, future researchers, and students should all find this study to be important.

- In light of the analysis's conclusions, the government will ultimately benefit from it; by identifying the key influencing factors, it will be able to amend necessary laws and other policies to better support market efficiency while also appeasing investors' wishes.
- By enhancing the corpus of information already known in the subject of finance, the research also adds to it. The study will serve as a future reference for academics and researchers who wish to further their understanding of behavioral finance. At the conclusion of the study, the researcher has indicated areas that need more inquiry. This will serve as the basis upon which upcoming academics and researchers will build while formulating their research problems.
- More research should be done on how behavioral finance factors affect individual investors' investment decisions at the Nepal Stock Exchange. It should also compare the results across the nation, ideally with a larger sample size for greater accuracy and to determine whether the multinomial logistic regression method will be significant.

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APPENDICES

APPENDIX-I

Questionnaire

Dear Madam/Sir,

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

Part 1 Demographic Information

Please tick the correct answer (v)

1. Please specify your gender?

Options	Choose that applies
Male	
Female	

2. Which age group do you belong to?

Options	Choose that applies
18-25	
26-35	
36 and above	

3. What is your Academic Qualification?

Options	Choose that applies
PCL and below	
Bachelor	
Masters/PHD	

4. How is your investment experience?

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

Part 2: In this part of the questionnaire, there are questions that are related issues of behavioral biases of stock investment decisions of Nepalese investors.

Please, indicate the extent to which you agree/disagree by ticking the appropriate boxes below. Please tick (√) on your answer in the appropriate box.

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

S. N.	**Items**	**Responses**				
5.	**Heuristic Factors**	1	2	3	4	5
5.1	I buy bulling stocks and avoid stocks that have performed poorly in the recent past					
5.2	I use trend analysis of some representative stocks to make investment decisions for all stocks that I invest in					
5.3	I believe that my skills and knowledge of the stock market can help me to outperform the market					
5.4	I forecast the changes in stock prices in the future based on the recent stock prices					
5.5	I am normally able to anticipate the end of good or poor market returns					
6.	**Prospect Factors**					
6.1	After a prior gain, I take more risk-seeking than usual					
6.2	I avoid selling shares that have decreased in value and readily sell shares that have increased in value					
6.3	I tend to treat each element of my investment group separately.					
7.	**Market Factors**					
7.1	I consider the price changes in stocks that I intend to invest in					
7.2	I over-react to price changes in stocks.					
7.3	Market information is important for my stock investment					
7.4	I put the past trends of stock under my consideration for my investment					
8.	**Herding Factors**					
8.1	Other investors' decisions about choosing stock types have an impact on my investment decisions					
8.2	Other investors' decisions on the stock volume have an impact on my investment decisions					
8.3	Other investors' decisions about buying and selling stocks have an impact on my investment decisions					
9.	**Investment Decision**					
9.1	The return rate of my recent stock investment meets my expectation					
9.2	My rate of return is equal to or higher than the average return of the market					
9.3	I feel satisfied with my investment decisions in the last year (including selling, buying, choosing stocks and deciding the stock volume)					

Thank you for the cooperation

APPENDIX-II
Descriptive Summary of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
HF	400	1.00	5.00	3.5050	.95512
PF	400	1.00	5.00	3.5158	.89696
MF	400	1.00	5.00	3.5600	.92624
HDF	400	1.00	5.00	3.4858	.94565
IDP	400	1.00	5.00	3.4350	.97544
Valid N (listwise)	400				

Source: SPSS version 26

APPENDIX-III
Correlations

		HF	PF	MF	HDF	IDP
HF	Pearson Correlation	1	.742**	.668**	.658**	.652**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	400	400	400	400	400
PF	Pearson Correlation	.742**	1	.665**	.656**	.670**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	400	400	400	400	400
MF	Pearson Correlation	.668**	.665**	1	.629**	.660**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	400	400	400	400	400
HDF	Pearson Correlation	.658**	.656**	.629**	1	.664**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	400	400	400	400	400
IDP	Pearson Correlation	.652**	.670**	.660**	.664**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	400	400	400	400	400

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

Source: SPSS version 26

APPENDIX-IV

Multiple Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.584	.580	.63241

a. Predictors: (Constant), HDF, MF, PF, HF

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	221.667	4	55.417	138.563	.000[b]
	Residual	157.976	395	.400		
	Total	379.643	399			

a. Dependent Variable: IDP

b. Predictors: (Constant), HDF, MF, PF, HF

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.178	.142		1.250	.212		
	HF	.150	.054	.147	2.758	.006	.371	2.697
	PF	.242	.058	.222	4.188	.000	.374	2.674
	MF	.259	.050	.246	5.138	.000	.459	2.180
	HDF	.275	.049	.266	5.642	.000	.472	2.117

a. Dependent Variable: IDP

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