PSYCHOLOGICAL FACTORS AFFECTING ON INVESTMENT DECISIONS

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

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Psychological Factors Affecting on Investment Decisions**". 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.

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Yogendra Kumar Kunwar

REPORT OF RESEARCH COMMITTEE

Mr. Yogendra Kumar Kunwar has defended research proposal entitled "**Psychological Factors Affecting on Investment Decisions**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Keshav Chand and submit the thesis for evaluation and viva voce examination.

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Dissertation Submitted Date:

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Psychological Factors Affecting on Investment Decisions**" presented by Yogendra Kumar Kunwar 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 thesis is worthy of acceptance.

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Yogendra Kumar Kunwar

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ABBREVIATIONS

AM	Arithmetic Mean
ASE	Athens Stock Exchange
CV	Coefficient of Variation
KMO	Kaiser-Meyer-Olkin Measure of sampling Adequacy
NEPSE	Nepal Stock Exchange
NSE	Nairobi Stock Exchange
NRB	Nepal Rastra Bank
NYSE	New York Stock Exchange
PCA	Principal Component Analysis
SEBON	Securities Board of Nepal
SEC	Securities Stock Exchange
TSX	Torrento Stock Exchange
UAE	United Arab Emirates

ABSTRACT

The effect of behavioral biases on investment decisions making of individual investors of NEPSE. The objective of this study is to examine the relationship between factors of behavioral bias and investment decision and to analyze the effect of factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) on investment decision of Nepalese share market. Descriptive and causal comparative research design has been used in this study. This study was conducted on the 249 NEPSE listed companies as a population with the help of questionnaires distributed to 400 investors to collect and survey data and analyzed by using descriptive statistics, correlation and regression.

The regression result revealed that overconfidence has positive and significant effect on investment decision, likewise, anchoring bias, disposition effect and herding bias has also positive and significant effect on investment decision. The study has implications to individual investors to get a better understanding of own behavior, policy makers to examine biases earlier policy changes, build sustainable investment management practices and financial advisors to improve their proficiency. The policymakers can create regulations that would help to eliminate perceived biases among investors. This study can be used by brokers to identify the biases that affect investor behavior. They are capable of giving their clients sound advice to prevent investors from making foolish choices. This study can help investors independently assess their conduct. Additionally, they have the ability to spot profitable stocks and buy more.

Key words: Overconfidence, Anchoring, Disposition Effect, Herding, Investment Decision

CHAPTER- I
INTRODUCTION

1.1 Background of the Study

In recent years, behavioral finance has received a great deal of interest as a means of elucidating investor behavior and its impact on decision-making. Research elucidating the conduct of individual investors initially surfaced in the 1970s. Behavioral finance studies how decisions are made when purchasing or disposing of financial assets and offers an explanation for these decisions. Its primary emphasis is on the psychological concepts that investors utilize to guide their investment decisions (Vidya, 2021).

Kahneman and Tyevsky (1979) investors might not always seem like the most logical people to make investments. These behaviorists believe that when making investing decisions, investors may act irrationally. Numerous behavioral finance research have looked into the variables that affect an individual investor's process of choosing stocks.

Meriks (2004) categorized the determinants influencing individual investors' behavior into five categories: accounting information, subjective/personal, neutral information, advocate recommendation, and personal financial needs. Nagy and Obenberger (1994) employed seven classifications: social significance, self-image/firm-image coincidence, neutral information, traditional wealth maximization, accounting information, advocate endorsement, and personal financial demands.

Al-Tamimi (2005) employed a five-category approach to examine individual investor behavior in the financial markets of the United Arab Emirates. These categories included self and firm-image coincidence, personal financial needs, neutral information, accounting information, and advocate suggestions. However, insufficient research efforts have been made thus far in the area of investor behavior with a focus on developing country stock markets. 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 into how each element was impacted by the overall investing behavior of investors. This research creates a remarkable appeal to the body of literature on behavioral finance in underdeveloped nations, particularly with reference to Nepal, by integrating all three facets of investor behavior.

The disposition effect bias shows a positively minor correlation with investment decision-making, but a negative large impact on it (Chathurangim, 2021). Chhapra (2018) has demonstrated that investing decisions are negatively impacted by herding bias. In a similar vein, Narahari's (2021) supports the investment decision, which is positively insignificant. Herd mentality bias is the term used to describe when someone defends a conduct by pointing out that many other people are doing the same.

One type of cognitive bias called the anchoring bias makes us heavily rely on the first piece of information we are provided on a subject. Anchoring bias and investment decisions are positively connected. Comparable to the conclusions of Dirir (2022), but not corroborated by Ali et al. (2023). Additionally, anchoring bias has a substantial detrimental influence on investment decisions, as supported by (Artif, 2023). Anchoring bias is the tendency for people to give disproportionate weight to the first piece of information they come across concerning a subject.

One type of cognitive bias that could cause us to overestimate our abilities in particular areas is overconfidence bias. The majority of people think they are smarter, more trustworthy, or have better prospects than the average person. According to Mittal (2019), investing decisions are significantly impacted positively by overconfidence bias. Considering that Dirir (2022) concurs with the investment decision, it is most likely not significant. Overconfidence bias is the tendency to overestimate our abilities and knowledge in a given topic.

The association between overconfidence bias, anchoring bias, disposition effect bias, herding bias, and investment decision is therefore examined in this study. Analyze the influence of herding, anchoring, disposition effect, and overconfidence biases on investment decisions as well. Investing in financial markets in recent times has become popular not only among institutional but also individual investors. Communications and information have become available worldwide in seconds speed. Investment decisions

depend on the data and its financial position in the future, but most of the time short-term price changes are driven by market participants that are not always based on logic but sometimes are inspired by mood or instantly received news.

Human beings are known to make decisions based on their intuitions and feeling rather than collecting sufficient information which will facilitate effective decision making. Researchers have shown that investors make irrational investment decisions. According to Markowitz (1952), investors are rational and risk averse and will prefer low risk to high risk for a given level of return. In the actual market place, investors show irrational behaviors; they trade excessively, purchase stock without considering the fundamental value, base their decisions on past performance, buy stocks which their friends are buying, and retain loss making stocks while selling bullish stocks.

The investors make their decision processes simple and are experience to behavioral problems that might cause systematic errors and lead to satisfactory investment choices, but which do not maximize utility. Behavioral biases have been attributed to the irrationality in decision making. Shefrin (2000) defines bias as the predisposition towards error. Hence, investors show irrational behavior due to interpretation of different situations, wrong judgments and distortion in perception whereas; traditional economics and financial theories consider human being as perfect rational agent (Babajide and Adetiloy, 2012).

Moreover, behavioral economist opposes this concept of perfect rationality and study emotional and psychological factors and their impact on investment decision making. Investment decisions in everyday life depend on combination of different factors like, emotion, reason, habit and social interaction. Research in behavioral finance shed serious doubts on validity of traditional finance theories like efficient markets, portfolio theory and risk-return trade off. Franco Modigliani and Merton Miller work in finance and their assumptions of rational man who maximize utility is no more relevant due to lack of empirical evidences (DeBondt et al., 2013). Standard finance models are based on rationality which implies two things i.e. people update their belief in current manner and make decisions consistent with subjective expected utility theory. The efficient capital market concepts proposed that non-rational investors distort prices while due to arbitrage

opportunities, expert traders take full advantage. However, human intuitions and behavioral biases play key role in financial decisions (DeBondt et al., 2013).

1.2 Problem Statement

Investors' psychological considerations also have an impact on their investment decisions, in addition to market oddities. When making stock market investments, individual investors are influenced by a number of factors, including mood, cultural prejudice, cognitive dissonance, representative bias, overconfidence, and herd behavior. The current study emphasizes the importance of behavioral factors in influencing investment decisions in this environment. Investor choices on the stock market have a significant impact on the market trend, which in turn influences the economy (Ahmed et al., 2011).

Every minute, millions of decisions are made worldwide in the corporate sector. This phrase also applies to investment decisions. There are a wide range of behavioral elements that influence investing decision-making. One kind of these variables has to do with the psychological makeup of investors, which determines how they behave financially. Numerous research have been conducted in Nepal to better understand investors (Bhattarai, 2020).

Research by Thapa (2014), Dangol and Manandhar (2020), and Gnawali (2021), for example, showed that behavioral biases influence the choices that Nepalese investors make when making investments. Despite the fact that a great deal of research has been done on understanding investor behavior, the relationship between behavioral biases and the decision-making process while investing in Nepal has not been experimentally examined. To gain a better understanding of investor behavior and how it impacts investment performance, numerous research have been carried out in Nepal. The purpose of this research is to determine whether investor and decision-making behaviors are consistent with the theoretical framework of rational decision-making (Shrestha and Silwal, 2017). Additionally, it demonstrates the causal connections between the three behavioral biases that have been identified and every stage of the decision-making process.

Furthermore, the influence of several demographic variables on behavioral biases is also investigated. Therefore, in order to better understand how behavioral factors impact

investment decision-making, this research will look at how investors' decisions on the Nepalese stock exchange are affected. Numerous behavioral aspects impact investment decision making; however, there is a lack of research in Nepal especially examining their relationship to the Nepal Stock Exchange.

The Nepalese stock market has experienced tremendous expansion in recent years, along with a surge in new investors looking to take advantage of investment opportunities. Nevertheless, a lot of investors still display behavioral biases that affect their choice of stocks, even in the age of knowledge and financial education. To improve investment results and market efficiency, regulators, financial institutions, and individual investors must have a thorough understanding of these biases in order to develop successful strategies and interventions (Kadariya, 2012).

The study's ultimate goals are to enhance investor safety, market efficiency, and overall investment results in the Nepalese stock market. The results of this study will form the foundation for developing focused investor education initiatives and policy interventions aimed at improving financial literacy and encouraging more logical decision-making among Nepalese investors. Investigating the behavioral elements impacting investors' actions at the Nepal Stock Exchange (NEPSE) is crucial (Kumar, 2022).

Socioeconomic and demographic factors impact the prevalence of specific biases among Nepalese investors. Asia has comparatively less research on behavioral finance when compared to other developed countries (Das, 2012). According to behavioral finance theory, an individual's investment decisions and market outcomes are systematically influenced by the information structure and characteristics of market participants (Barberis and Thaler, 2003; Hirshleifer 2001).

This study aims to investigate the impact of behavioral biases on stock purchase decisions made by Nepalese investors. The following questions are especially addressed in the research:

i. What are the behavioral factors of investors that influence investment decision of Nepalese share market?
ii. Is there any relationship between factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) and investment decision of Nepalese share market?

iii. How does the factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) impact on investment decision of Nepalese share market?

1.3 Objectives of the Study

This study's main goal is to investigate how behavioral biases affect investors' decisions in the Nepalese share market. Additionally, the following are the research's specific goals:

i. To assess the factors of behavioral biases that influence investment decision of Nepalese share market.
ii. To examine the relationship between factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) and investment decision of Nepalese share market.
iii. To analyze the effect of factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) on investment decision of Nepalese share market.

1.4 Research Hypothesis

The following hypothesis have been tested.

H_1**:** Overconfidence bias has a significant effect on investment decision.

H_2**:** Anchoring bias has a significant effect on investment decision.

H_3: Disposition effect bias has a significant effect on investmentdecision

H_4: Herding bias has a significant effect on investment decision.

1.5 Rationale of the Study

The government, financial advisors, businesses listed on Nepal's stock exchanges, and private investors should all take note of this report. The elements that affect investors' decision-making are important since they have an impact on their future financial goals. Businesses' future strategies and plans may be impacted by their identification of the most important elements influencing investor behavior. Financial advisors can recommend investments that best suit their clients by taking these aspects into account. And lastly, identifying the key determinants may assist the government in adjusting necessary laws and other policies that are essential to both appease investors' wishes and strengthen market efficiency.

1.6 Limitations of the Study

The limitations of the study are as follows:

i. The study concerned on psychological factors affecting on investment decision.
ii. The study used primary data for analysis which are taken from distributed questionnaire of 400 respondents.
iii. This study is not considering other biases such as mental accounting, representation bias, and gambler fallacy due to time limit.
iv. The study covers only the investors from commercial banks only among 249 listed companies in NEPSE.

CHAPTER- II
LITERATURE REVIEW

This chapter reviews the theoretical and empirical research on this topic that has been done over time by many experts. This chapter provides an overview of the literature on the issue as it relates to my expertise, research, and pertinent studies on this subject. It also includes reviews of past thesis work, articles, and book reviews. As a result, the research gap is followed by the theoretical review in the first portion and the empirical review in the second.

2.1 Theoretical Review

Investing in stocks is heavily influenced by behavioral biases, which frequently result in less than ideal results for investors. These biases, which can have an impact on both ordinary investors and professional fund managers, are a result of the way human brains process information and make judgments. The following significant behavioral biases frequently affect stock investment decisions:

Modern portfolio theory (MPT)

MPT was developed by Harry Markowitz and posits that investors can create an optimal portfolio by diversifying their holdings and taking into account the risk-return trade-off of various assets. In order to lower total portfolio risk, MPT emphasizes the significance of maintaining a mix of assets that are not perfectly connected. Harry Markowitz created Modern Portfolio Theory (MPT), sometimes referred to as portfolio theory or portfolio management theory, as a financial theory in the 1950s. In order to maximize returns for a given level of risk or limit risk for a given level of return, it offers a framework for building and optimizing investment portfolios. MPT is a fundamental idea in finance that has had a big impact on investing strategies and portfolio management techniques (Adil, et al., 2022).

The practical application of Modern Portfolio Theory involves the following steps:

1. Determine the pool of potential assets and assess the risks and projected returns associated with them.

2. To comprehend the relationships between each pair of assets, compute the correlations between them.
3. Create the efficient frontier by determining the optimum asset combinations that offer the best trade-off between risk and return.
4. Ascertain the investor's preferences and risk tolerance before choosing a suitable portfolio along the efficient frontier.

Several portfolio management techniques, including index investing, passive investing, and risk-parity portfolios, are based on MPT, which is extensively utilized in the field of investment management. Like any financial model, MPT is not without flaws, though, and detractors point out that it is predicated on a number of assumptions that might not hold true in all market scenarios, including the normal distribution of asset returns and stable correlations. MPT is still a vital tool for choosing how to allocate assets within a portfolio, though.

Efficient market hypothesis (EMH)

A theory in finance known as the Efficient Market Hypothesis (EMH) contends that asset prices accurately reflect all available information and that financial markets are efficient. Put differently, the theory suggests that financial markets excel at factoring in all accessible information about an item when determining its price. Consequently, it becomes challenging for investors to regularly beat the market or produce unusual returns through active trading or investment techniques (Barberis, 2006).

According to the Efficient Market Hypothesis (EMH), asset prices always fully absorb all relevant data and financial markets efficiently reflect all available information. In this idea, all accessible information is already priced into the securities, making it impossible to consistently outperform the market through stock selection or market timing. Since its initial introduction in the 1960s in his doctoral thesis, economist Eugene Fama's work on the Efficient Market Hypothesis (EMH) has gained substantial traction and influence in the banking industry. Three forms—weak form EMH, semi-strong form EMH, and strong form EMH—provide the basis of the hypothesis (Chathurangi and Bandara, 2021).

The Efficient Market Hypothesis' proponents contend that beating the market on a regular basis without taking on more risk is challenging. Therefore, passive investing strategies

like index funds and exchange-traded funds (ETFs) that try to mirror the performance of a broad market index are generally suggested.

Herd behavior theory

According to the notion of herd behavior, people copy the moves of others, which creates informational cascades and trends in the financial markets. Without thoroughly evaluating the facts, investors can join the herd, which could lead to market booms or crashes. The tendency of individuals to mimic the decisions or actions of a larger group is known as "herd behavior theory" in behavioral finance and social psychology. This phenomenon frequently results in a domino effect where a sizable number of people follow the same behavior without necessarily taking into account the underlying principles or logic. Herd behavior in the financial markets can have a big impact on how asset values and market movements are formed over the long and short terms (Cooper et al., 2014).

Herd mentality can cause asset prices to diverge from their intrinsic worth, which can result in market bubbles and crashes. A lot of investors may rush into an asset during a bubble, pushing its price well above its intrinsic value. Ultimately, a shift in investor mood leads to a massive sell-off, which sharply lower prices and collapses the bubble. Herd mentality is also common while choosing investments. Investing trends, media or friend recommendations, or the moves of well-known investors can all be followed by investors without them doing their homework or realizing the hazards. This may result in a lack of diversification and heightened vulnerability to market hazards.

Prospect/loss-aversion-theory

Prospect Theory describes how people decide when faced with risk and uncertainty. According to this theory, people are often risk-averse when it comes to gains and risk-seeking when it comes to losses. Different risk-taking attitudes result from the framing of possible gains or losses, which affects investors' behavior. Prospect theory states that investor preference defies the conventional utility function, which evaluates investments based on expected utility. Psychologists Daniel Kahneman and Amos Tversky created this hypothesis in 1979 to explain the behavior of investors in risky situations. These academics contend that people make decisions by weighing the possible benefits and drawbacks of a certain course of action in light of a specific reference point, typically the investment's purchase price, the decision maker's expectations, or the relevant past. The

predicted usefulness is influenced by how people present a problem or a result (Deo and Sundar, 2015).

According to prospect theory, people experience greater stress when they lose money than when they earn a certain amount of cash. People will put up more effort to avoid losses than to profit, therefore they will hold onto losing stocks in the hopes that their value would increase. According to Tversky and Kahneman, people accept risks in order to avoid losses (Johnson, 2002). The utility function is convex for losses, meaning that people experience pain when they lose, but twice the loss does not equal twice the pain. It is concave for gains, meaning that people feel good when they win, but twice the gain does not make them feel twice good (Tversky and Kahneman, 1974).

Capital asset pricing model (CAPM)

The CAPM model connects the systematic risk (beta) of an asset with the market as a whole and the asset's projected return. According to this theory, the expected return of an asset should be related to its beta, a metric that expresses how sensitive it is to changes in the market. A popular financial tool used by analysts and investors to calculate the expected return on a single asset or portfolio of assets is the Capital Asset Pricing Model (CAPM). It gives a framework for understanding the link between the risk of an investment and the expected return, and it is typically used as a benchmark to analyze whether an asset is underpriced, overpriced, or fairly priced. William F. Sharpe first presented the CAPM in 1964, and John Lintner and Jan Mossin later refined it on their own. A number of fundamental presumptions underpin the model, including the risk-free rate, market portfolio, efficient markets, and rational investors. The systematic risk measure, beta, is the only component that determines the expected return in the single-factor model offered by CAPM. It doesn't take into account other elements like firm-specific characteristics or prevailing economic conditions that could affect an asset's return (Lim, 2012).

2.2 Conceptual Review

Behavioral finance

The study of behavioral finance integrates standard financial concepts with psychological concepts to comprehend and explain how psychological and emotional aspects affect investors' decision-making and the behavior of financial markets as a result. Behavioral

finance recognizes that due to cognitive biases, emotional responses, and limited rationality, investors may deviate from perfectly rational behavior, in contrast to the Efficient Market Hypothesis (EMH), which asserts that markets are always efficient and that investors are perfectly rational. The study of behavioral finance combines ideas from economics and psychology to understand how emotions and cognitive biases affect financial decisions. This theory investigates how several biases that affect investing decisions such as the disposition effect, anchoring, herding, and loss aversion are accounted for (Laxmi et al., 2024).

Cognitive bias, prospect theory, mental accounting, farming, regret aversion, behavioral finance, and market anomalies are a few of the fundamental ideas and ideas in behavioral finance. Behavioral finance aims to provide insights into how markets can diverge from the forecasts of conventional finance models and how investors can more skillfully navigate financial decision-making by comprehending these psychological biases and behaviors. It affects portfolio management, asset pricing, and our comprehension of market booms and crashes. Moreover, it has impacted the construction of investment techniques that take into account the psychological biases and limits of investors, such as behavioral portfolio theory and robo-advisors that seek to lessen the impact of emotional decision-making (Kumar et al., 2022).

Investment decision

The study of behavioral finance focuses on how emotions and cognitive errors affect investors' behaviors by analyzing brain activity (Kengatharan 2014). A significant portion of the research in the field of behavioral finance comes from the study of how the brain works. Put another way, it's the study of how people, like investors, reason, make decisions, and think. These tendencies will lead investors astray when choosing a stock to buy or cause them to act impulsively in response to the decisions made by others. Therefore, exposing children to risk-taking tactics. The behavioral finance hypothesis branches out to shape the heuristics hypothesis which is referenced to as "basic guidelines". This latter approach uses good judgment to solve a problem and resolves on dynamic simpler, especially in uncertain and complex situations. Heuristics also function to facilitate decision-making by identifying a characterized set of models for evaluation (Jordan, Block and Hirt, 2012).

In the Malaysian stock market, Lim (2012) has examined the relationship between mental dispositions, specifically the tendency toward overconfidence and traditionalism as well as the tendency to herd investors' financial backing. He discovered that the main factors influencing the independent path of financial backers are overconfidence, traditionalism tendency, and lament. However, it was discovered that herding behavior had no effect on the independent direction of financial donors. The study's findings were applicable to earlier investigations conducted in several countries. Kengatharan (2014) focused on the Colombo Stock Exchange while examining factors influencing investors' decisions. Furthermore, the relationship between the components showed that herding, overconfidence, prospects, and market characteristics affect investors' possibilities for speculation at the Colombo stock exchange. The remaining variables showed to have a medium effect on venture selections, with the exception of anchoring, which shown a high impact.

Behavioral biases

Overconfidence

Due to this bias, investors tend to overestimate their own skills and forecast accuracy. Investors that are overconfident may trade excessively and take on greater risks because they believe they have a competitive advantage (Stancu and Mitroi, 2014).

Anchoring

Investors frequently base their choices on particular benchmarks, including historical stock prices or popular news stories. By anchoring, they may generate unreasonable expectations based on unrelated information or cling onto losing positions for an extended period of time (Shin and Park, 2018).

Herding

Individuals naturally have a predisposition to follow the herd and copy the behavior of others, particularly when things are unclear. This can result in bubbles and panics in the stock market, when investors purchase when others are buying, forming a bubble, or sell when others are selling, generating a panic (Yu et al., 2018).

Confirmation bias

Information that supports an investor's preexisting views or ideas on an investment is typically sought out and preferred by investors. Contradictory information may be disregarded or minimized, which might result in bad decisions.

Loss aversion

Investing fear frequently pushes people to take unwarranted risks in an attempt to reduce losses. This may lead to selling winners too soon or hanging onto losing positions for too long (Lin, 2011).

Regency bias

Rather than taking into account the larger historical context, investors place greater emphasis on recent events or performance. This can cause them to chase recent high-performing equities without evaluating their long-term potential (Spiwoks and Bizer, 2018).

Availability heuristic

Individuals frequently depend on information that is easily accessible to them. This may cause investors to ignore potentially valuable but less accessible information in favor of more recent news or readily available data (Mueller and Brettel, 2012).

Endowment effect

When compared to equivalent assets they do not own, investors typically place a higher value on assets they already possess. This may cause people to hang onto investments even when there are better prospects elsewhere just because they feel comfortable with them (Roger, 2009).

Gambler's fallacy

This bias is the idea that even in cases where previous events are unconnected, they nonetheless have an impact on future events. In stock investing, this can manifest as thinking a stock would reverse direction just because it has been dropping for a time (Dowie and Willows, 2016).

Disposition effect

Investors often sell winning stocks too soon in order to lock in gains, while holding onto failing stocks for an excessive amount of time in an attempt to prevent losses. Missed chances and an unbalanced portfolio can result from this practice. Investors can reduce the impact of behavioral biases on investment decisions by employing strategies include creating a clear investment plan, maintaining a broad portfolio, conducting in-depth research, and speaking with financial professionals. Furthermore, by being conscious of these biases and regularly evaluating their investment choices, investors can make more reasoned and unbiased decisions (Odean, Strahilevitz and Barber, 2010).

Traditional finance

Conventional finance makes the assumption that an investor is a logical person who is capable of processing all information objectively. While real-world experience in behavioral finance suggests that investors are biased, illogical, and that their emotions influence even small investments, For example, a student contacts an online firm or company for writing assistance, and there are two options to choose from. The scholar will most likely select the local business because it is local and the other is foreign. This occurs because, similar to an investor, the scholar's biases influenced the choice. The scholar invested in the local firm due to his overconfidence and familiarity with it. Although the overseas corporation offers a good diary and performance, the scholar will invest within the local company owing to these prejudices (Markowitz, 1952).

According to conventional wisdom, the financial market is efficient and might accurately reflect its true worth. The foundation of this argument is the belief held by traditional finance that investors possess self-control. Behavioral finance, on the other hand, contends that market oddities are caused by market volatility. Because these investors lack absolute self-control, there are restrictions. Stock prices rise and fall as a result of market volatility, creating an uneven market (Shefrin and Statman, 1985).

2.3 Empirical Review

Gurung et al. (2024) examined the influence of behavioral biases on investment decisions among Nepalese investors – general individuals who actively participate in the country’s stock market, considering overconfidence, representative, anchoring, regret aversion, and herding biases as explanatory variables, with investment decisions as the response

variable. The study employed a linear regression model, establishing relationships using a structured questionnaire with 379 observations. The study revealed the significant influence of overconfidence, anchoring, and regret aversion biases on investment decisions among Nepalese investors. Conversely, the influence of representative bias had a little impact on investment choices, and herding behavior showed no significant relationship with investment decisions. Hence, it suggests that behavioral biases have a greater impact on individual investment choices in the Nepalese financial market. It is essential for investors, advisers, and policymakers to be aware of and address these biases to make well-informed decisions, maintain financial stability, and foster market development.

Laxmi et al. (2024) examined the impact of three psychological aspects on investment decisions made by 220 investors who trade on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE): information asymmetry, problem framing, and risk propensity. By using a quantitative research methodology, information was gathered by sending surveys to investors who were actively trading stocks on the BSE and NSE platforms. Regression analysis and correlation studies are two statistical analytic approaches that were used to investigate the connections between investing decisions and psychological aspects. The study's conclusions add to the corpus of knowledge by illuminating the complex dynamics of financial decision-making and the part played by psychological variables. Furthermore, the knowledge gained from this study has important ramifications for financial advisors, investors, and legislators that aim to improve investor welfare and encourage well-informed stock market decision-making.

Padmavathy (2024) constructed intricate models that accurately depict financial decision-making by examining psychological variables that give rise to market oddities. This research challenges the principles of rational finance theories by examining the significant impact of behavioral finance on stock market anomalies. The study demonstrates the impact of biases, emotions, and cognitive errors on human behavior, highlighting specific cognitive faults such as anchoring bias, overconfidence, and loss aversion. The incorporation of behavioral finance into investment decision-making has transformative consequences for investors and financial professionals. Investors acquire the ability to make more astute decisions, spread out risks, and manage market instability by using emotional intelligence. Behavioral data may assist financial professionals in

enhancing client-advisor relationships, refining communication methods, and increasing competitiveness in an evolving financial landscape. Behavioral finance provides a constantly evolving understanding influenced by biases and emotions, which poses a challenge to financial practices.

Khababa and Ahmadjonov (2023) investigated the influence of behavioral and psychological factors on the sustainability of the Saudi Arabian stock market via investment decisions. Data from 358 active investors was collected through a survey employing convenient sampling. The study utilized a quantitative research approach with a cross-sectional design. Results from Partial Least Square (PLS)-Structural Equation Modelling (SEM) revealed a positive and statistically significant impact of behavioral and psychological aspects on investment decisions by stock market investors. Additionally, the study demonstrated a significant positive effect of investment decisions on the sustainability of the Saudi Arabian stock market. These findings underscore the pivotal role of non-financial factors in shaping investment behaviors and contributing to financial market sustainability. The theoretical aspect emphasizes the necessity of integrating behavioral elements into conventional financial models, while practical implications advocate for personalized interventions to foster sustainable investment practices.

Altaf and Jan (2023) studied investment behavior among millennial which is influenced by generational biases that they exhibit. This study uses investment intention as the dependent variable and fear of losing out, overconfidence, herding and tendency, and socially responsible investment as the independent variables. Surveys were done online using LinkedIn, Facebook, and Twitter, and a sample of 674 people was surveyed. The results demonstrated that millennials' fear of missing out has a favorable impact on their propensity to invest. These findings suggest that millennials may feel uneasy about the investment opportunities that are out of their reach. Furthermore, millennials' propensity to stay in touch with their pals virtually may also be reflected in their dread of missing out. This study also attempted to theorize how generational biases could influence the actions of millennial investors. However, it's possible that these preconceptions weren't exclusive to the millennial age and that they also existed in earlier generations.

Ali (2023) determined the relationship between investor perceptions of assets and behavioral traits associated with making investment decisions during the COVID-19

pandemic in Pakistan's real estate market. The study employed partial least square structural equation modeling to collect a total of 189 useable samples utilizing a survey-based instrument. The study's conclusions showed that while DE and RA had little bearing on real estate investment decisions, PAV, OC, and HD significantly predicted the choice to make an investment. Furthermore, this study discovered that PAV is the most significant factor in predicting real estate investment decisions made during the COVID-19 pandemic. The authors state that the study's conclusions support the policy implications for lawmakers, regulators, and financial institutions. The study's findings are relevant and useful should the real estate sector ever experience a crisis.

Abideen (2023) examined how behavioral biases impact investors' investment decision-making. Created a structured questionnaire and employed a random sampling technique to get the results. A sample of 600 out of 687 respondents had their data tabulated and refined using structural equation modeling (SEM) in SPSS. The findings support the rejection by showing that overconfidence bias (OB) is not significantly correlated with basic anomalies. This finding implies that investors' overconfident conduct does not explain fundamental anomalies (FA), despite the body of existing evidence suggesting that investor behavior can contribute to FA in the market. The study's empirical evidence includes limitations concerning the causal relationship between several variables. We therefore suggest that future study in this area look for appropriate instruments and employ the instrumental variable method in order to further examine the issue.

Dirir (2022) investigated a variety of biases that affect the financial backer's investment habit, including overconfidence, the disposition effect, anchoring biases, and herding behavior biases. As a result, multiple linear regression analysis and the Likert scale were used to collect data from interviews. Overall, herding biases and overconfidence affect investors' capacity to make logical judgments, according to empirical data from a sample of 260 participants in the Pakistani stock market. However, anchoring and the disposition effect don't really affect investors' decision-making. In the end, this study will benefit investors by offering suggestions on how to reduce psychological prejudices when making financial choices. It will also be used as a guide for upcoming studies in the area of empirical behavioral finance.

Adil et al. (2022) investigated how behavioral biases, such as overconfidence, risk aversion, herd mentality, and temperament, affect gender differences in investing choices. Cross-sectional research was taken into consideration in the study. A systematic questionnaire was used to gather data for this survey from 253 individual investors in the Delhi-NCR area. The Pearson correlation and Cronbach's alpha test have been used, respectively, to assess the validity and reliability. Hierarchical regression analysis has been employed in the study to evaluate the hypothesis. The study's findings show that, among male investors, overconfidence had a positive and statistically significant impact on investing decisions, whereas risk aversion and herding had a negative and statistically significant influence. Nonetheless, it was determined that disposition had no statistically significant impact. The findings showed that risk aversion and herd mentality had a negative and statistically significant impact on the investing decisions made by female investors. Overconfidence and inclination, however, had a statistically negligible impact on the choice to invest. It has been shown that both male and female investors' investing selections have been greatly impacted by financial literacy. According to the findings of the interaction effect among male investors, financial literacy had a major impact on the interaction between overconfidence and investment decision.

Kartini and Nahda (2021) examined to look into how different psychological aspects affect people's decisions when making investments. Based on a survey method and snowball sampling, a quantitative methodology is applied, yielding 165 questionnaires from individual Yogyakarta investors. In addition, we test each and every hypothesis using the One-Sample t-test. The study's conclusions demonstrate that all of the factors representativeness, optimism, overconfidence, loss aversion, anchoring bias, and herding behavior have a big impact on investing choices. The impact of behavioral influences on investors' judgments is highlighted by this outcome. By eliminating all potential biases, it improves investors' capacity to make better informed decisions and ads to the body of material already in existence regarding the dynamics of investor behavior.

Chaturangi (2021) investigated the influence of behavioral biases on the choices made by individuals while making investments. Making an investment decision is the dependent variable, and overconfidence, loss aversion, and herding are the independent variables. Using a suitable sampling procedure, 200 individual investors who are engaged in the Colombo Stock Exchange were given a structured questionnaire based on a five-point

Likert scale. The findings demonstrate that making investing decisions is positively and significantly impacted by overconfidence. Due to the unpredictability of information and the volatility of the Sri Lankan stock market, herding and loss aversion greatly influence the way that decisions are made about investments. The work has added to the theoretical understanding of prospect theory's loss aversion and heuristic theory's overconfidence and herding. The study has implications for policy makers to look into biases in previous policy changes, financial advisors to become more proficient, and individual investors to have a better understanding of their own behavior.

Thambireddy (2021) examined a study that the behavioral Finance is about understanding the investors and their investment pattern in different situations. While making investments, investors have certain beliefs that they fail to keep aside and hence end up making mistakes and losses. The paper is directed towards the study of those beliefs also known as the Psychological Biases that these investors face while making the investment decision. The aim of the research paper is to make investors and potential investors who might be willing to enter Stock Market in the near future aware of the fact that these biases exist and affect the decision-making ability of the Investors. The paper examines the biases through a survey which collects the data of about the different behaviors of investors in different situations. The survey was done through a Structured questionnaire of 214 investors. The data is then analyzed by using SPSS and Excel. After proper analysis, it was found out that even experienced investors have to deal with these biases and that some of the investors do not even acknowledge the fact that their decision was affected due to one of the Psychological Biases.

Vidhya (2021) studied an Indian stock market to investigate behavioral biases and their influence on investing decision-making. The majority of individual investors, according to conventional finance theories, make logical financial decisions free from the impact of their emotions or personalities. However, in actuality, a variety of factors, including sentiments, emotions, and intuitions, have a significant impact on their investment decisions. The current study looks at how behavioral biases affect their investing choices and also tries to pinpoint the many components that affect those choices. In the Keralan district of Trissur, a sample of one hundred equity investors is used for this study. The study's findings indicate that a variety of behavioral biases, including loss aversion, herd, overconfidence, and optimistic bias, are particularly detrimental to novice traders.

Dangol and Manandhar (2020) conducted a study four heuristic biases representativeness, availability, anchoring and adjustment, and overconfidence bias on the rationality of Nepalese investors' investment decision-making in order to evaluate the influence of heuristics on the decision. The moderating effect of the internal locus of control in between was also investigated. The study's findings show a substantial correlation between all four heuristic biases and irrationality in investing decision-making. Furthermore, the research findings indicate that there is a noteworthy moderating influence of locus of control on the correlation between investing decisions and three heuristic biases, namely availability, representative, and anchoring bias. The study does not, however, show a moderating influence in the relationship between overconfidence bias and investing decisions.

Shrestha (2020) focused on the factors influencing Nepalese investors' stock market investment decisions. The company related variable (CRV), the risk and return related variable (RRV), and the market related variable (MRV) are the three key variables that influence investing decisions. Variables related to the company, such as the management team, financial performance, size, EPS, and DPS, are included; variables related to the risk return, such as past returns, expected returns, company risk, and liquid securities; and variables related to the market, such as market data, market price per share, dividend growths, etc. According to this study, company related variables (CRV) have a greater impact on Nepalese investors' investment decisions than do market related variables (MRV) and risk and return related variables (RRV). In every regression model, there is a positive and significant coefficient of company related variable (CRV). Thus, it can be said that Nepalese investors base their investment decisions on the company-related variables of Nepalese businesses.

Rana (2019) investigated the variables related to individual investors' stock investment decisions in the setting of the Nepali stock market. The study also intends to investigate how investors, according to their demographic attributes, view the relative relevance of various aspects while making investment decisions. The study makes use of 106 individual investors' sample responses, collected between January and April 2019 using a structured questionnaire survey. To identify the common characteristics influencing the sample investors' stock investing decisions, the study uses exploratory factor analysis. The factor analysis results indicate that the common factors influencing the stock

investment decisions of the sample investors in Nepal are six: fundamental market factors, industry competition and size factors, goodwill and market share factors, corporate governance and positioning factors, earnings and image factors, and decision-making factors. The findings also demonstrate that, in the opinion of the sample investors, fundamental market factors had the highest relative relevance among the six categories that were retrieved.

Madan and Singh (2019) examined the influence of behavioral biases on the National Stock Exchange's investing decision-making process. 243 investors' survey responses are gathered to create a questionnaire. Both descriptive and inferential statistics were used in this study. Four behavioral biases overconfidence, anchoring, disposition effect, and herding behavior have been reviewed in the current study. The findings demonstrate that herding bias and overconfidence significantly influence investment decisions in a beneficial way. The overall findings indicate that individual investors are less knowledgeable and more likely to make psychological mistakes. These four behavioral biases on individual investment decisions are also evident in the study's findings. Financial intermediaries will find this study useful in providing advice to their clients. Additional research can be conducted to examine additional behavioral biases that affect investment decisions.

Chhapra (2018) researched to evaluate the impact of behavioral biases on financial decision-making at the Pakistan Stock Exchange (PSX). A convenience sample technique is utilized to create a survey questionnaire and gather responses from a sample of 250 PSX investors. Overconfidence, overanalyzing, herd mentality, cognitive bias, and the investor's hindsight effect are examples of behavioral biases. Five behavioral biases are tested for their impact on investment decisions using multiple regression models. The findings demonstrate that herd mentality, overconfidence, overthinking, cognitive bias, and the hindsight effect all significantly influence investment decisions in a positive way. The overall findings indicate that behavioral biases are largely responsible for changes in investment decisions. Financial advisors will be able to advise clients more effectively because to this study. Possibly the only way to lessen these prejudices is through investor education and training.

Aduda, Oduor and Onwonga (2017) examined the NSE listed shares' financial performance and the actions of certain investors. A questionnaire survey and secondary data from CMA and NSE were used in the study. It was found that some investors acted irrationally when making decisions, which frequently led to them losing money on their investments. The majority of respondents were male investors, indicating their confidence in their ability to outperform the market. The majority of investors had bachelor's degrees, making them sufficiently educated to make educated investment decisions. Other factors that were found to influence investment behavior included an improved stock exchange, influence from friends, family, and coworkers, inflation, management stability, the quantity of shares available, the level of stock capitalization, and family and religious background.

Gupta and Ahmed (2017) investigated how behavioral biases affect the actions of investors in the Indian stock market. The Capital Asset Pricing Model, the Efficient Market Hypothesis, and Modern Portfolio Theory are examples of traditional financial theories that are based on the assumption of perfectly functioning financial markets and investor behavior. To put it another way, these theories argue that any new information that enters the market is promptly incorporated into stock prices, thereby preventing the possibility of obtaining greater gains solely through having insider knowledge of the company. However, a number of empirical studies have already shown that when trading in the stock market, investors' judgments are influenced by a variety of factors rather than being purely rational. The primary objective of this paper is to identify the numerous behavioral biases that influence investors' decision-making process. 380 Delhi/NCR residents provided the necessary data to test for loss aversion, regret aversion, herd behavior, overconfidence bias, and cognitive dissonance bias. Head Part Examination was likewise utilized to analyze the data accumulated. It was discovered that investors' decision-making was moderately affected by each of these biases. By shedding light on the most prevalent behavioral biases to which investors are susceptible, these findings will assist investors in minimizing risk and maximizing returns on their investments. Additionally, it will assist financial advisors in developing customized portfolios and asset allocation plans for their clients. Under this audit of broadly and universally distributed articles directed by researchers in creating and created protections market.

Table 1

Summary of List of Empirical Review

Author(s)	Objectives	Variables	Methodology	Findings
Gurung (2024)	To examined the influence of behavioral biases on investment decisions among Nepalese.	Independent variables: overconfidence, representative, anchoring, regret aversion, and herding biases Dependent variables: Investment decision	1. The study employed a linear regression model, establishing relationships 2. using a structured questionnaire with 379 observations.	The study revealed the significant influence of overconfidence, anchoring, and regret aversion biases on investment decisions among Nepalese investors.
Laxmi et al (2024)	To examined the impact of three psychological aspects on investment decisions made by 220 investors who trade on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE): information asymmetry, problem framing, and risk propensity.	Independent variables: psychological aspects (biases, emotions, and cognitive), Dependent variables; Investment decision.	Regression analysis and correlation studies are two statistical analytic approaches that were used to investigate	The study's found that the corpus of knowledge by illuminating the complex dynamics of financial decision-making and the part played by psychological variables.

Padmavathy (2024)	The study demonstrates the impact of biases, emotions, and cognitive errors on human behavior, highlighting specific cognitive faults such as anchoring bias, overconfidence, and loss aversion.	Dependent Variables: Financial Decision Making, Independent Variables: biases, emotions, and cognitive	Regression analysis	Behavioral data may assist financial professionals in enhancing client-advisor relationships, refining communication methods, and increasing competitiveness in an evolving financial landscape.
Khababa and Ahmadjonov (2023)	To investigated the influence of behavioral and psychological factors on the sustainability of the Saudi Arabian stock market via investment decisions.	Dependent Variable: Investment decision. Independent Variables: behavioral and psychological factors	Partial Least Square (PLS)-Structural Equation Modelling (SEM)	These findings underscore the pivotal role of non-financial factors in shaping investment behaviors and contributing to financial market sustainability.
Altaf and jan (2023)	To examine investment behavior among millennial which is influenced by generational biases that they exhibit.	Independent Variables: Fear of missing out, socially responsible investing, overconfidence, herding and disposition. Dependent Variables:	1. Questionnaire were distributed. 2. survey was conducted on a sample of 674 participants 3. The survey was conducted online through	The findings demonstrated that millennials' fear of losing money positively influences their decision to invest. According to these findings, millennials might be uneasy about the investing opportunities that they

		Investment intention	Facebook, Twitter, and LinkedIn.	are unable to take advantage of. Millennials' propensity to keep in touch with their peers online may also be a sign of their fear of missing out.
Ali (2023)	To determine the relationship between investor perceptions of assets and behavioral traits associated with making investment decisions during the COVID-19 pandemic in Pakistan's real estate market.	Independent variables: perceived asset quality, perceived asset price and perceived asset value, overconfidence [OC], herding [HD], disposition effect [DE] and risk aversion Dependent Variables: investment decisions	1. Study used a survey-based instrument to gather a total of 189 usable samples. 2. using partial least square structural equation modeling	PAV, OC, and HD significantly predicted the decision to invest, whereas DE and RA had little influence on real estate investment decisions, according to the study's findings. Moreover, this study found that PAV is the main calculate anticipating land venture choices made during the Coronavirus emergency.
Abideen, (2023)	To examine how behavioral biases impact investors' investment decision-making.	Independent Variables: herding bias, the disposition effect and the overconfidence bias (OB). Mediating Variables: fundamental anomalies (FA), the technical anomalies (TA)	1. Designed a structured questionnaire to collect the data. 2. Random sampling method were used. 3. Sample of 600 out of 687 respondents. 4. Tabulate and	By demonstrating that there is no significant correlation between basic anomalies and overconfidence bias (OB), the findings back up the rejection. This finding infers that financial backers' carelessness isn't the reason for central irregularities (FA), notwithstanding the

		and the calendar anomalies (CA) Moderator Variables: Financial Literacy Independent Variables: Investment Decision	refine data were into SPSS. 5. Analysis through structural equation modeling (SEM).	collection of existing exploration proposing that financial backers' activities could prompt FA on the lookout.
Dirir (2022)	To investigate a variety of biases that affect the financial backer's investment habit, including overconfidence, the disposition effect, anchoring biases, and herding behavior biases.	Independent Variables: overconfidence, disposition effect, anchoring biases, and herding behavior biases	1. multiple linear regression analysis were used 2. Likert scale of an interview were utilized in order to collect data 3. sample of 260 participants	The review exhibits how grouping predispositions and arrogance influence financial backers' capacity to go with sensible choices. Anchoring and the disposition effect, on the other hand, have little effect on investors' decision-making.
Thambireddy (2021)	The aim of the research paper is to make investors and potential investors who might be willing to enter Stock Market in the near future aware of the fact that these biases exist and affect the	Independent Variables: regret aversion bias, overconfidence bias, self-attribution bias, cognitive dissonance bias, herd instinct, attribution bias, conservative bias, and over-optimism bias.	1. The paper examines the biases through a survey 2. The survey was done through a Structured questionnaire. 3. The tools used in this research are SPSS and excel	The study found that when making financial decisions, investors are illogical and heavily influenced by their emotions.

	decision-making ability of the Investors.	Dependent Variables: investment decisions	4. collected primary data from 214 investors	
Samal and Mohapatra (2021)	To examined the study on investors interpret and act on information to make informed invest decision.	Independent Variables: Overconfidence, Herding, Cognitive Dissonance, Regret aversion and Loss aversion Dependent Variables: investment decisions	1. Primary data collected through own developed structured questionnaire. 2. A total of 101 respondents have filled up.	Choosing an investment necessitates an in-depth examination of a number of factors, despite the abundance of information at one's disposal. This corroborates irrationality and piques people's desire to reduce financial uncertainty.
Chathurangi and Bandara (2021)	To investigate the influence of behavioral biases on the choices made by individuals while making investments.	Independent Variables: overconfidence, loss aversion and herding Dependent Variables: investment decision making	1. Sample of 200 individual investors 2. using a convenient sampling method 3. structured questionnaire based on five-point Likert scale was distributed	The discoveries show that settling on financial planning choices is decidedly and fundamentally influenced by carelessness. Because of the capriciousness of data and the unpredictability of the Sri Lankan financial exchange, crowding and misfortune repugnance enormously impact how choices are made about ventures.
Mittal (2019)		Independent Variables: Herd instinct,	1. Study Follows comprehensive	The majority of studies that have been published label

		Availability biases and Hind sight biases. Dependent Variables: investors' performance	literature review approach. 2. a funnel approach to decrease the number of behavior biases. 3. Study Uses Emerald, JSTOR, INSTEAD, ELSEVIER, Science Direct, Google Scholar	behavior finance as a new area of finance. This demonstrates how little worthwhile research has been conducted in developing economies in this area. The main research gaps in this area can be filled with the assistance of this literature review.
Madaan and Singh (2019)	To examine the influence of behavioral biases on the National Stock Exchange's investing decision-making process.	Independent Variables: overconfidence, anchoring, disposition effect and herding behavior Dependent Variables: investment decisions	1. research has applied inferential statistics and descriptive statistics 2. A questionnaire is designed and through survey responses collected from 243 investors 3. cross-sectional study and Quantitative method used for data analysis	The discoveries show that crowding predisposition and presumptuousness fundamentally impact venture choices in a helpful manner. The general discoveries show that singular financial backers are not so much learned but rather more prone to commit mental errors.

			4. Sample size for the study was 385. 5. SPSS software used for statistical computation	
Kanojia, Singh and Goswami (2018)		Independent Variables: overconfidence, herd behavior, cognitive dissonance, disposition effect, representative bias, mood and cultural bias. Dependent Variable: decision making	1. Study follows the survey research methodology. 2. sample size of 602 provides 3. Convenience sampling was used to distribute the questionnaire. 4. using the SPSS (22.0) package	According to the findings of the study, representational bias has the greatest impact on respondents, followed by disposition effect, cognitive dissonance, overconfidence, and overconfidence. The respondents, on the other hand, were unaffected by herd behavior.
Chhapra (2018)	to evaluate the impact of behavioral biases on financial decision-making at the Pakistan Stock Exchange (PSX).	Independent Variables: overconfidence, over thinking, herding, cognitive bias, and hindsight Dependent variables: investment decision	1. A survey questionnaire is designed and used to collect responses. 2. Convenience sampling technique is used. 3. sample of 250 investors of PSX 4. Multiple regression models are	According to the findings, the hindsight effect, herd mentality, overconfidence, overthinking, and cognitive bias have a significant impact on investment decisions.

			used to test influence	
Gupta and Ahmed (2017)	To investigate how behavioral biases affect the actions of investors in the Indian stock market.	Independent Variables: Loss Aversion, Regret Aversion, Herd Behavior, Overconfidence Bias and Cognitive Dissonance bias Dependent variables: individual investor's decision	1. Factor Analysis and Cronbach's Alpha test were used on SPSS 210 for analyzing the data 2. Primary data has been collected. 3. questionnaires were distributed to respondents	That's what the review's discoveries demonstrate, while following the crowd or having confidence in one's capacities and information is satisfactory to a certain degree, doing so can bring about unfortunate speculation decisions.

2.4 Research Gap

An examination hole is a point or region where the absence of data makes it hard to reach determinations about a specific inquiry. The investor ought to be aware of the risks and benefits. Then again, a great deal of exploration has been finished in Nepal on the options made by individual financial backers. Besides, the couple of segment factors utilized in before research on financial backers' venture choices were confined.

Research demonstrates that more proficient financial backers regularly go with better speculation decisions (Nofsinger and Sias, 1999), while incessant brokers and presumptuous financial backers normally have mediocre venture returns (Hairdresser and Odean, 2001). In contrast, other studies have demonstrated that people make irrational decisions when they are more sensitive to losses than gains (Tversky & Kahneman, 1974) and that investors frequently overreact to news and events, revealing emotional and cognitive biases (De Bondt & Thaler, 1985). Additionally, the phenomenon of availability bias, which has been observed to frequently influence investors' decisions, has been observed (Brown & Reilly, 2009). This peculiarity happens when financial backers put an

unjustifiable accentuation on effectively open data, which can result in sub-par venture decisions and diminished returns (Odean, 1998).

Based on the empirical assessment and context analysis presented above for Nepal, behavioral finance is still a field of study that has not been anticipated. Few studies have been done in Nepal that show how individual investors on the Nepal Stock Exchange's investment decisions are influenced by behavioral factors. This study therefore fills in the void that was previously mentioned.

CHAPTER – III

RESEARCH METHODOLOGY

The research design, sample size and selection, data collection, and data processing techniques and tools are all covered in this chapter.

3.1 Research Design

The descriptive and causal comparative research design is used in this study. A descriptive research design is used to describe, measure, compare, and classify the characteristics of the independent variables that affect the profitability of the banks—also known as the dependent variables—while a causal comparative research design is used to investigate the effects of behavioral biases on investment decisions—such as overconfidence bias, herding bias, disposition effect bias, and anchoring bias.

3.2 Population and Sampling

Every one of the 249 recorded organizations in NEPSE till January, 2024 are the number of inhabitants in this review. Out of complete recorded organizations, just the financial backers from business banks workers are the example of this review. The examining information was gathered from individuals putting resources into the securities exchange. The hypothesis has been tested with a sample size of 400 in this study. When selecting sample organizations for this study, the convenience sampling method is utilized.

3.3 Nature and Source of Data

This study used only surveys that were given to individual NPESE investors as primary sources of data. An efficient survey with a five-point Likert scale is utilized to assemble information. Because this study examined the causal relationship between the study variables using a descriptive methodology, the data are useful for generalization. The reliability of the data gathered from the questionnaire will be checked by experts. After experts were contacted, a few parts of the questionnaire were changed to improve the validity of the data for this study, which will evaluate the questionnaire's face validity.

3.4 Data Analysis Tools

Surveys were utilized to assemble essential information, which the scientist by and by audited. Four sorts were covered by the survey things: crowding predisposition, mooring

Inclination, attitude impact inclination, and arrogance inclination. The questionnaires were personally answered by individual investors. Because it prompted respondents to respond as soon as possible, this strategy was appropriate. Data analysis and presentation are the first steps in any research project. A variety of descriptive and inferential tool types were used to examine the data in this study to guarantee accurate results. To achieve the review's objective, various measurable and numerical strategies have been applied.

1. Descriptive statistics:

These tools—the mean and standard deviation—were utilized in order to identify the behavioral aspects of the variables that influence investment decisions in the Nepalese share market.

2. Correlation analysis

to investigate the connection between investment decisions in the Nepalese share market and behavioral bias factors such as overconfidence bias, anchoring bias, disposition effect bias, and herding bias.

3. Regression analysis

To dissect the impact of elements of social predisposition (pomposity inclination, mooring inclination, attitude impact inclination and crowding inclination) on speculation choice of Nepalese offer market.

Baseline Model

The review select Speculation choice as reliant factors. Crowding inclination, securing predisposition, attitude impact inclination, and presumptuousness inclination are the free factors. Using this model, the effects of herding, anchoring, disposition effect, and overconfidence biases on investment decisions were investigated.

Model 1

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_{it}$

$ID= \beta_0 + \beta_1 OC + \beta_2 AB + \beta_3 DE + \beta_4 .....+ e_{it}$

Where,

ID = Investment Decision

OC = Overconfidence Bias

AB = Anchoring Bias

DE = Disposition Effect Bias

HB = Herding Bias

β_0 = Constant when all independent variables are Zero

$\beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \ldots$ = Corresponding coefficients

Cronbach's' Alpha (α)

Cronbach's alpha is a measure of a group of items' internal consistency, or how connected they are to one another. It is a scale dependability metric. The fact that a measure has a "high" alpha value does not always imply that it is one-dimensional. If, in addition to determining internal consistency, it can demonstrate that the in question scale is uni-dimensional, then additional analyses can be carried out. One method for confirming dimensionality is to examine exploratory factors. Cronbach's alpha is not a statistical test (or consistency) but rather a measure of reliability.

3.5 Reliability and Validity

The reliability test, Cronbach's alpha, is shown in Table 3. Lee Cronbach created the questionnaire in 1951, and its administration allowed for the evaluation of its reliability. For this investigation, a construct composite reliability co-efficient (Cronbach alpha) of 0.7 or higher was deemed sufficient for all the constructs. Reliability coefficients of 0.7 and higher are considered satisfactory. The dependent variable, the investment choice, and the independent variables, the overconfidence bias, anchoring bias, disposition effect bias, and herding bias, were tested for reliability using Cronbach Alpha. Reliability and validity are the requirements for quality measurement. Testing error is the primary goal of validity and reliability testing. Careful questionnaire planning yields validity. Measurement score consistency is referred to as reliability.

3.6 Data Collection Procedures

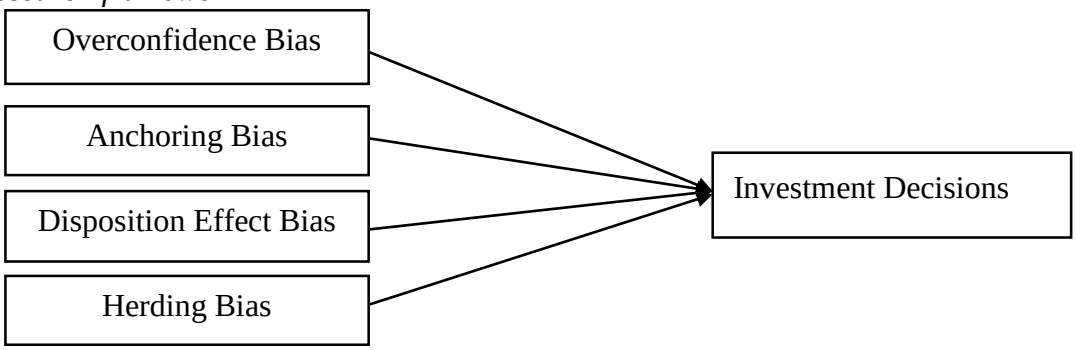
Information acquired by dispersing poll to 400 respondents through email the softcopy. Several tools in the SPSS program were utilized for analysis following the collection of data. To achieve the review's objective, various measurable and numerical procedures have been applied. Relapse examination, relationship examination, and unmistakable measurements are the factual techniques utilized in this examination.

3.7 Research Framework and Definition of Variables

This section deals with research framework that derived from theoretical and empirical literature review.

Figure 1

Research framework



Source: Dirir, 2022

Definition of variables

This study's dependent variable is the amount of individual investment decisions, which are measured using a psychometric tool designed to evaluate investor financial behavior.

Stock investment decisions

Overconfidence, anchoring, disposition effect bias, and herding prejudice had an impact on the decisions that the institutional investors in the NEPSE made. Besides, these financial backers referenced what the other institutional financial backers were exchanging. An investment choice is a calculated move that distributes funds to maximize return. The investor's nature, i.e., whether they are an individual or a company, as well as investment objectives and risk tolerances, all play a role in the decision-making process.

Overconfidence bias

We might misjudge our capacities in an areas because of pomposity predisposition, a sort of mental predisposition. Most of individuals think they are more intelligent, more reliable, or have a preferable future over the typical individual. Mittal's (2019) findings demonstrate that investment decision bias is positively associated with overconfidence. With Dirir's backing for the investment decision, it probably doesn't matter much. The tendency to overestimate our knowledge and abilities in a particular area is known as overconfidence bias. As individuals frequently have mistaken thoughts regarding their

presentation, conduct, or attributes, their assessments of hazard and achievement frequently veer off from the real world.

Anchoring bias

A kind of mental predisposition known as the mooring inclination makes us exceptionally reliant upon the primary snippet of data we are given about a subject. Mooring predisposition is emphatically connected with venture choice. This is comparable to Dirir's findings (2022), but Ali et al. do not support them. (2023). Furthermore, anchoring bias has a negative correlation with investment decision, as Artif demonstrates. Mooring predisposition depicts individuals' propensity to depend too intensely on the primary snippet of data they get on a subject. No matter what the precision of that data, individuals use it as a kind of perspective point, or anchor, to make ensuing decisions.

Disposition effect bias

Attitude impact inclination shows decidedly irrelevant connection with venture choice yet adversely critical effect on speculation choice. Chathurangi backs this up in 2021. Also, this goes against what Madan (2019) and Gupta (2017) found. The disposition effect is one of the behavioral biases that has received the most research. This impact portrays the propensity, at some random moment, to more promptly sell victors than failures, champs and washouts alluding to resources that have appreciated or devalued since buy.

Herding bias

According to Chhapra, herding bias has a negative impact on investment decisions. In a similar vein, given that the investment decision is supported by Madan (2019) but is in line with Narahari's outcome, it is positively insignificant. When people rationalize a course of action based on the fact that many other people are doing the same thing, this is known as herd mentality bias. In exchanging brain research, this could appear as exchanging a resource essentially in light of the fact that it is viewed as a hot ware among different brokers, potentially prompting resource bubbles.

CHAPTER – IV

RESULTS AND DISCUSSIONS

Social predispositions assume a critical part in the venture choices of financial backers. These predispositions are mental propensities that can lead financial backers to go with sub-par or unreasonable choices, frequently straying from customary monetary speculations that expect levelheaded independent direction.

4.1 Demographic Profile

In this study, 264% of respondents, or 66% of the total, were female, making up the majority (Table 2).

Table 2

Demographics Characteristics of Respondents (N=400)

Respondent Character	Frequency	Percentage (%)
Gender		
Male	136	34
Female	264	66
Total	400	100
Age		
Under 25	8	2
26-35	336	84
36-45	40	10
46-55	12	3
Over 55	4	1
Total	400	100
Profession		
Student	12	3
Salaried Private	64	16
Business	280	70
Salaried Government	40	10
Professor	4	1
Total	400	100
Marital Status		
Single	48	12
Married	328	82
Widow	24	6
Total	400	100
Qualification		
+2	12	3
Bachelors	96	24
Masters	292	72
Total	400	100

Source: Self- Survey, 2023

Table 3

Reliability Test (N=400)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.833	.831	5

The purpose of a reliability test is to assess the measuring instrument's internal consistency, or dependability. The worth of Cronbach's alpha coefficient is somewhere in the range of 0 and 1, with a bigger number showing better dependability. At last, Cronbach's alpha coefficient ought to be higher than 0.70 for example 0.833. Internal validity and reliability of this scale are high. Cronbach's alpha with standardized items of 0.831 is the reliability test.

4.2 Items wise descriptive analysis

The utilization of venture choices in the Nepalese financial exchange was evaluated by the answering banks. The response to each question on the five-point Likert scale is coded: 1 means "strongly disagree," 2 means "disagree," 3 means "neutral," 4 means "agree," and 5 means "strongly agree."

Table 4

Descriptive Statistics of Overconfidence (N=400)

Items	Min	Max	Mean	SD	Skew	Kurt	Rank
I think I can outperform the market with my abilities and stock market knowledge.	1	5	2.277	0.882	0.706	0.235	2
I believe I am competent enough to influence the investments to my advantage.	1	5	2.24	0.787	1.286	1.869	3
I consider it a blessing that I consistently invest in the greatest offers.	1	5	2.795	1.050	0.248	-0.516	1
I base my analysis on the most recent market data and spend as little time as feasible on them.	1	5	1.845	0.896	1.234	1.516	5
In the interim between accounting periods, I trade more.	1	5	1.852	0.963	1.06	0.417	4
Overall Mean and SD			3.257	1.325			

Source: Survey, 2023

Descriptive statistics for the overconfidence sub-factor as a whole and for each item are presented in Table 4. The factors are estimated utilizing five proclamations. A five-point Likert scale response form was completed by each and every respondent. The total

overconfidence mean is greater than 3, with a value of 3.257, and its standard deviation is 1.325. This demonstrates that investing decisions based on overconfidence may not always be the best.

Table 5

Descriptive Statistics of Anchoring (N=400)

Items	Min.	Max.	Mean	SD	Skew	Kurt	Rank
Recent market events have an impact on my trade.	1.00	5.00	2.397	.800	.956	.597	4
When trading, I utilize the stock's acquisition price as a point of reference.	1.00	5.00	2.532	.946	.628	-.538	2
When making my next investment, I typically draw on my prior market experience.	1.00	5.00	2.570	.915	.482	-.627	1
I typically purchase stocks that have had a significant decline from their previous closing or all-time high.	1.00	5.00	2.525	.939	.530	-.704	3
It seems to me that past performance predicts future performance.	1.00	5.00	2.242	.797	.880	.625	5
Overall Mean and SD			3.227	1.337			

Source: Survey, 2023

Table 5 presentations unmistakable measurements for every thing and the securing sub-factor in general. The factors are estimated utilizing five proclamations. A five-point Likert scale response form was completed by each and every respondent. The global mean of anchoring is greater than 3, at 3.227, and it has a standard deviation of 1.337. This demonstrates that investments can be made with sound anchoring decisions.

Table 6

Descriptive Statistics of Disposition Effect (N=400)

Items	Min	Max	Mean	SD	Skew	Kurt	Rank
When making an investment decision, I would rather rely on the stock's historical performance than any other index.	1.00	5.00	2.507	.989	.597	-.341	2
I base my investing judgments on trend analysis.	1.00	5.00	2.582	.983	.580	-.509	1
I purchase the same company's fresh share offering that I previously invested in.	1.00	5.00	2.437	.918	.937	.370	3
It seems to me that past performance predicts future performance.	1.00	5.00	2.430	.887	.906	.337	4
I disregard information in the market that conflicts with mine before purchasing a share.	1.00	5.00	2.322	.806	.964	.710	5
Overall Mean and SD			3.326	1.369			

Source: Survey, 2023

Table 6 showcases enlightening insights for the demeanor impact by and large and for explicit things. The factors are estimated utilizing five proclamations. A five-point Likert scale response form was completed by each and every respondent. The disposition effect's overall mean is greater than 3, with a standard deviation of 1.369. This shows how the demeanor effect can make a speculation choice the suitable one.

Table 7

Descriptive Statistics of Herding (N=400)

Items	Min	Max	Mean	SD	Skew	Kurt	Rank
Your investing decisions are influenced by the stock volume decisions made by other investors.	1.00	5.00	2.070	.756	1.073	1.867	5
Your investing selections are influenced by the stock purchases and sales made by other investors.	1.00	5.00	2.398	.892	.854	.293	4
Your investing decisions are influenced by the stock kinds chosen by other investors.	1.00	5.00	2.518	.920	.870	.045	2
When other investors make adjustments to their decisions, you often take note of them and follow their lead in the stock market.	1.00	5.00	2.693	1.056	.845	-.241	1
Usually, once I book profits, I think I could have waited.	1.00	5.00	2.488	.861	.914	.188	3
Overall Mean and SD			3.26	1.334			

Source: Survey, 2023

Table 7 gives illustrative insights to explicit crowding objects. The factors are estimated utilizing five proclamations. A five-point Likert scale response form was completed by each and every respondent. The standard deviation of grouping is 1.334 and the general mean is 3.26, which is higher than 3. This exhibits how grouping might be utilized to pursue the best monetary choices.

Table 8

Descriptive Statistics of Investment Decision (N=400)

Items	Min	Max	Mean	SD	Skew	Kurt	Rank
The returns on my investment are better than I had anticipated.	1.00	5.00	2.335	0.796	0.940	0.555	4
Over the previous five years, my stock investment has shown increased cash flow growth.	1.00	5.00	2.648	0.972	0.426	-0.636	1
Compared to the market as a whole, the risk associated with my stock investment is smaller.	1.00	5.00	2.450	0.871	0.931	0.169	2
My stock investment has a high level of security.	1.00	5.00	2.378	0.858	0.910	0.063	3
The money I make from my investments will be put to good use for society.	1.00	5.00	2.178	0.770	1.209	1.852	5
Overall Mean and SD			3.36	1.365			

Source: Survey, 2023

The Nepalese securities exchange's unmistakable measurements for putting choices are shown in Table 8. Five articulations are utilized to quantify the factors. Every respondent finished a reaction structure with a five-point Likert scale. The total mean of the decision factor is 3.36, which is higher than 3, and its standard deviation is 1.365. This shows how to make smart financial choices.

Overall Descriptive statistics of Dependent and Independent Variables

Table 9

Descriptive Statistics of Behavioral Biases (N=400)

Variables	Min	Max	Mean	SD	Skew	Kurt	Rank
Investment Decision	1.00	4.40	2.202	.5537	.518	1.228	5
Overconfidence	1.00	5.00	2.453	.59660	.245	.610	2
Anchoring	1.00	5.00	2.456	.72414	.706	.481	1
Disposition Effect	1.00	4.40	2.433	.68299	.736	.254	3
Herding	1.00	4.20	2.397	.65419	.590	.066	4

Source: SPSS Output

Descriptive statistics on investors' investment decisions and factors are presented in Table 9. There are five component of social inclinations that are utilized to quantify the factors. The five-point Likert scale was used to determine the overall result that each factor provided. In the context of Nepalese investors, this demonstrates sound investment decisions.

Correlation analysis

Under this part, to accomplish research objective two to look at the connection between presumptuousness, mooring, demeanor, crowding and venture choice. Relationship has been utilized.

Table 10

Correlation between Dependent and Independent Variables

	Decision	Overconfidence	Anchoring	Disposition	Herding
Inv. Decision	1				
Overconfidence	0.025	1			
Anchoring	-0.050	0.037	1		
Disposition	0.107*	0.081	-0.094*	1	
Herding	-0.024	-0.008	0.118**	-0.004	1

**. Correlation is significant at 0.01 level (2-tailed).
*. Correlation is significant at 0.05 level (2-Tailed).
Source: SPSS Output

In the Nepalese stock market, overconfidence biases have a positive relationship with investment decision, but the relationship is insignificant (r=0.025) and P > 0.05. Similarly, there was no significant relationship between anchoring bias and investment decision (r = -0.050, P 0.05). At the 0.05 level of significance (r = 0.107, P 0.05), the disposition effect was found to be significantly and positively related to other variables. Last but not least, there is a negative but insignificant relationship between herding bias and investment decision (r = -0.024, P 0.05).

Effect of overconfidence, anchoring, disposition effect and herding on investment decision

Table 11

Model Summary of Investment Decision

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765a	.585	.581	.42371

a. Predictors: (Constant), HB, OC, DE, AB

The coefficient of assurance R2 values acquired in model rundown is 0.585 which shows 58.50% of progress is made sense of by Autonomous factors for example crowding,

arrogance, attitude impact and mooring in subordinate factors for example speculation choice. It shows the all out fluctuation or consolidated impact of all free factors on the reliant factors.

Table 12

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.843	4	24.961	139.035	.000b
	Residual	70.914	395	.180		
	Total	170.758	399			

a. Dependent Variable: ID
b. Predictors: (Constant), HB, OC, DE, AB

The tested model is suitable for further investigation, as shown by Table 12 (F = 139.035; p-value 0.05). The F-esteem is 139.035 which is high and the p-esteem is 0.000 lesser than 5% degree of importance which shows that the autonomous factors crowding, carelessness, demeanor impact and securing altogether affects subordinate factors for example venture choice.

Table 13

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.082	.109		.754	.451
	OC	.095	.044	.080	2.154	.032
	AB	.375	.048	.342	7.811	.000
	DE	.110	.039	.122	2.791	.006
	HB	.376	.042	.393	9.028	.000

a. Dependent Variable: ID

Source: SPSS Output

According to Table 13, OC has a significant impact on investment decision (= 0.080, P0.05). This indicates that ID would rise by 0.095 units if OC increased by one unit. In like manner, Stomach muscle affects venture choice ($\beta = 0.342$, $P<0.05$). That is to say, in the event that Stomach muscle expanded by 1 unit, ID prompts increment by 0.375 units. In a similar vein, DE has a positive and significant impact on the decision to invest (= 0.122, P0.05). This indicates that if DE were to rise by one unit, ID would rise by 0.110 units. Additionally, HB has a positive and significant effect on investment decision (= 0.393, P0.05), indicating that if HB rises by one unit, ID rises by 0.376.

4.2 Discussion

In light of above survey, the principal objective of the review shows the elements of social predispositions that impact speculation choice of Nepalese offer market. All of the statements in the various sections, such as "overconfidence, anchoring, disposition, herding, and Investment decision," were accepted by the respondents. In another words, they accept that the equity in the assessment of their work and capacities with tied rewards or immediate and roundabout pay urge them to work on their proficiency at work. This demonstrates sound investment decision.

In a similar vein, the second objective demonstrates the connection between the investment decisions made by the Nepalese share market and behavioral bias factors such as overconfidence bias, anchoring bias, disposition effect bias, and herding bias. The decision to make an investment in the Nepalese stock market is significantly influenced by the effective biases. Those Inclinations have shown the critical relationship with the Mooring and demeanor. It was discovered that anchoring and herding had the strongest positive correlation with the investment decision and disposition. The multiple correlation coefficient demonstrates that three variables account for a percentage of the variation in investment decision: Disposition, overconfidence, and herding In contrast to Weeraratne's findings, the ANOVA for the regression model demonstrates that the relationship between the investment decision and the explanatory variables is statistically insignificant, which is in line with the findings of Fakai (2022) and Kellie (2018).

Last but not least, the third objective demonstrates how investment decisions are influenced by behavioral biases like overconfidence bias, anchoring bias, disposition effect bias, and herding bias. It depicts the R-square of the regression analysis of the dependent and independent variables, indicating that variation in the independent variables (overconfidence, anchoring, disposition effect, and herding) accounts for 58.50 percent of the investment decision. The decision to invest is significantly influenced by OC. This indicates that ID will rise if OC rises by one unit. Moreover, Stomach muscle, DE and HB significantly affects ID which shows that on the off chance that Stomach muscle, DE and HB increment by 1 unit ID prompts increment. This study contradicts the findings of Dangol and Manandhar (2020) and Adil, Singh, and Ansari (2022), but it is consistent with those of Chhapra et al. (2018).

CHAPTER – V

SUMMARY AND CONCLUSION

This section features the key review discoveries and gives a brief summation of the full examination. Moreover, the fundamental determinations are canvassed in an alternate piece of this part, and afterward there are a few ramifications for social predispositions and speculation choice. The reason for the review was to learn the way that conduct predispositions impact on venture choice.

5.1 Summary

The researcher used a structured questionnaire that was personally distributed to the respondents in order to collect data for the study. The goal of the review was to distinguish the variables impacting venture choices in NEPSE. Consequences of relapse uncovered that the main elements were: Firms position and execution; Loan fee, Simplicity of acquiring acquired assets and The executives, Unpredictable stock, Assessment of association's larger part investors and General and Monetary press inclusion of company's stock, Current financial Marker and Commitment of firm towards social causes, Strong's responsibility toward Corporate Social Obligation, Securities exchange Worth. Carelessness predisposition, securing predisposition, demeanor impact inclination and crowding inclination effects on financial backer speculation conduct on Association's standing in industry securities exchange worth and government possessions factors for the most part. The majority of investors agree that their decision to invest aligns with their investment goals.

The information was gathered through private visit and through electronic means, i.e., Google docs. The data that were gathered were then subjected to statistical analysis. In order to examine the responses and put the hypotheses to the test, reliability analysis, coefficient correlation analysis, and regression analysis were carried out. To lead the review, survey was fostered that included inquiries addressing the distinguished factors which measure social predispositions in venture choices of individual financial backers in Nepal. According to related literature, these variables were also used to identify behavioral biases in individual investor investment decisions. Review was completed utilizing comfort examining and the example got incorporated the respondents who are concentrating on in the colleges which meant to portray the financial and conduct factors

that impact individual financial backer's dynamic cycle in Nepal stock trades. The possibility of a connection between the independent and dependent variables was investigated using a sample of 400 respondents. Respondents replied on a 5 point Likert scale going from emphatically differ to concur unequivocally.

The current review was centered around principally detailing and examination of four social inclination to be specific securing, carelessness, demeanor impact, and grouping conduct. In future review can be expounded by examining other social predispositions that also significantly affect individual venture dynamic in their extraordinary manner. Additionally, the study can be expanded to investigate the influence on group or corporate investment decision-making.

5.2 Conclusions

In view of above outcome and discoveries of the review it reasoned that arrogance, securing, demeanor impact and crowding impact speculation choice of Nepalese individual financial backers who put resources into NEPSE. In addition, it came to the conclusion that higher-quality investment decisions will be made if Nepalese investors choose stocks for investment based on their skills, knowledge, and prior experience. In a similar vein, an investor can choose a stock to invest in based on a market trend analysis as well as other people's decisions to buy and sell stock that have a negative impact on their investment decision.

The review presumed that carelessness, mooring, demeanor impact and crowding emphatically affects speculation choice. Also, there is a significant positive correlation with the decision to invest. It suggests that using those biases to invest in stocks is beneficial and significant. Additionally shows if presumptuousness, securing, attitude impact and crowding increment 1 unit, venture choice likewise prompts increment individual units.

5.3 Implications

The specialist prescribes that the financial backers need to examination the speculation factors cautiously utilizing the sensible business information prior to pursuing a venture choice. Because they have an impact on the share's market performance, investors should also be able to interpret economic and market indicators. Instead of focusing solely on

one variable, they ought to evaluate all of the environment's variables. To minimize risks and maximize returns, investors must also develop a portfolio of investments to diversify their investments in various companies. This review analyzed the variables that seem to practice the best impact on the singular stock financial backer and included not just the elements researched by past examinations and got from winning social money hypotheses, yet additionally presented extra factors produced through private meetings that have been found to impact the investors' venture choices in Nepal.

First, the study was conducted among investors in Kathmandu; second, future research should attempt to explain the relative importance of decision variables for individual investors making stock purchase decisions. Thirdly, whether there are homogeneous clusters or groups of variables that form identifiable decision determinants that investors rely upon when making stock investment decisions can be verified by conducting the same study in the rest of the country.

The main activity they can consider is to take extra qualities that influence individual stock financial backers, notwithstanding those that have been recently contemplated and drawn from well known social money hypotheses. The review's primary objective was to explain the overall meaning of different dynamic variables for individual stock purchasers. Finding the factors that impact financial backers' speculation conduct the most and the least ought to be one more fundamental objective of the review. The impact of behavioral biases on individual investors' stock investing decisions in the Nepalese share market should be the subject of future research projects.

A modest bunch of commitments can be extricated from this exploration. First, the paper will support previous studies that have found results that are comparable to its own and add to the vast body of literature. Second, the outcome will offer individuals and investors a concrete strategy for avoiding and overcoming bias in decision-making. Last but not least, the research will offer financial advice and insightful information to financial intermediaries and advisors.

Regulations that help to eliminate investors' perceived biases can be created by policymakers. Brokers can use this study to determine the biases that influence investor behavior. They are fit for offering their clients sound guidance to keep financial backers

from going with stupid decisions. This study can assist investors with freely surveying their direct. Additionally, they are able to identify profitable stocks and acquire additional shares. The findings of this study must be utilized by investment institutions that wish to provide recommendations that are more trustworthy and have comprehensive knowledge of investor profiles and movements in the financial market. Future scientists can profit from this investigation by better comprehension how different inclinations impacts the venture choice.

Anomalies in the market can be included in the future to see how they affect an investor's decision to invest in the Nepalese stock market. When making an investment decision, additional cognitive biases can also be used.

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ANNEX: QUESTIONNAIRES

Dear respondent,

I am conducting this questionnaire survey for an academic research as required by the MBS program. The title of my research is "PSYCHOLOGICAL FACTORS AFFECTING ON INVESTMENT DECISIONS" I would like to state that this research is purely for an academic purpose and I am simply interested in your candid and honest opinion. I assure you that strict confidentiality will be maintained and the information furnished by you will be used only for the academic purpose.

Thanking for your Cooperation

Yogendra Kumar Kunwar

MBS student

Shanker Dev Campus, Kathmandu

Part I

Particular	Please Tick:
Investment Avenue	a) Yes b) No
Gender	a) Male b) Female
Age	a) Under 25 b) 25-35 c) 36-45 d)46-55 e)Above 55
Qualification(Highest Degree)	a) +2 b) Bachelors c) Masters
Marital Status	a) Married b) Unmarried c) Divorce d) Widow
Profession	a) Salaried Private b) Salaried Government c) Student d) Business e) Professor
Education	a) Under Graduate b) Graduate c) Post Graduate d) Professional
Earning per month	a) up to 25000 b) 25001-50000 c) 50001-75000 d) above 75000

Part II

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

Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

Overconfidence Bias (OC)

OC_1	I believe that my skills and knowledge of the stock market can help me to outperform the market	1	2	3	4	5
OC_2	I feel I have ability enough to manipulate the investments in my favors	1	2	3	4	5
OC_3	I feel that I am always lucky to invest in the best deals.	1	2	3	4	5
OC_4	I take least time possible to analyses and rely on available market statistics	1	2	3	4	5
OC_5	I conduct more trades in between the accounting periods.	1	2	3	4	5

Anchoring Bias (AB)

AB_1	My trading is affected by recent experiences in the market.	1	2	3	4	5
AB_2	I use the purchase price the stocks as a reference points in trading.	1	2	3	4	5
AB_3	I usually rely on past experience in the market for next investment.	1	2	3	4	5
AB_4	I usually buy a stocks, which have fallen considerably from previous closing or all-time high.	1	2	3	4	5
AB_5	I appear believe that past returns are indicative for future returns.	1	2	3	4	5

Disposition Effect (DE)

DE_1	I prefer to depend on the past performance of the stock when take my investment decision over any other indices.	1	2	3	4	5
DE_2	I use trend analysis to make investment decisions.	1	2	3	4	5
DE_3	I buy the new equity offering of the same company, in which I have already invested.	1	2	3	4	5
DE_4	I appear believe that past returns are indicative for future returns.	1	2	3	4	5
DE_5	Before buying a share, I ignore the information in the market that conflate with mine.	1	2	3	4	5

Herding Bias (HB)

HB_1	Other investors' decisions of the stock volume have impact on your investment decisions.	1	2	3	4	5
HB_2	Other investors' decisions of buying and selling stocks have impact on your investment decisions.	1	2	3	4	5
HB_3	Other investors' decisions of choosing stock types have impact on your investment decisions.	1	2	3	4	5
HB_4	You usually react quickly to the changes of other investors' decisions and follow their reactions to the stock market.	1	2	3	4	5
HB_5	After booking profits, I usually feel I could have waited.	1	2	3	4	5

Investment Decision (ID)

ID_1	My investment reports better results than expected.	1	2	3	4	5
ID_2	My investment in stock has demonstrated increased cash flow growth.	1	2	3	4	5
ID_3	My investment in stocks has a lower risk compared to the market I general.	1	2	3	4	5
ID_4	My investment in stocks has a high degree of safety.	1	2	3	4	5
ID_5	My investment proceeds will be used in a way that benefits society.	1	2	3	4	5

Thank you for your participation. Have a good day!

PSYCHOLOGICAL FACTORS AFFECTING ON INVESTMENT D...

By: Yogendra Kumar Kunwar

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ABSTRACT The effect of behavioral biases on investment decisions making of individual investors of NEPSE. The objective of this study is to examine the relationship between factors of behavioral bias and investment decision and to analyze