

EFFECTS OF PSYCHOLOGICAL FACTORS ON INVESTMENT DECISION

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CERTIFICATION OF AUTHORSHIP

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

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REPORT OF RESEARCH COMMITTEE

Mr. Sujan Ghimire has defended research proposal entitled **“EFFECTS OF PSYCHOLOGICAL FACTORS ON INVESTMENT DECISION** “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 Joginder Goet and submit the thesis for evaluation and viva voce examination.

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Any remaining errors are mine.

Sujan Ghimire

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ABBREVIATIONS

AH	:	Anchoring
ANOVA	:	Analysis of Variance
AV	:	Availability
ID	:	Investment Decision
OC	:	Overconfident
OLS	:	Ordinary Least Squares
RA	:	Risk Aversion
S. D	:	Standard Deviation
SC	:	Self-Control
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University

ABSTRACT

The objectives of research are to assess the factors of psychological in the investment decision, to analyze the relationship between Overconfidence, Availability, Anchoring, Risk Aversion and Self-control with investment decision, to examine the effect of Overconfidence, Availability, Anchoring, Risk Aversion and Self-control on investment decision. The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable Overconfidence, Availability, Anchoring, Risk Aversion and Self-control. The descriptive and casual comparative research design is used. SPSS and Excel are the tools of data analysis. Total investors of the Kathmandu valley are the population of the research and the sample are the 400 as a convenience sampling technique used. Primary source of data is used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis is excel and SPSS. The finding of the research is that variables of the research is consistence or less fluctuating nature. The relationship between Overconfidence, Availability, Anchoring, Risk Aversion and Self-control with investment decision of the research. The relationship between Overconfidence and investment decisions positive but not significant. The impact of Risk Aversion and Self-control report to the investment decisions is negative and significant. The impact of Availability and Anchoring to the investment decisions is positive and significant.

Keywords: Overconfidence, Availability, Anchoring, Risk Aversion and Self-control investment decision

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Psychology is the study of the mind and behavior. It includes the biological, social, and environmental elements that impact an individual's thoughts, feelings, and behaviors. Psychology is a scientific discipline that examines mental operations, experiences, and behavior in various settings. Psychology is to be approached as a natural science. The majority of philosophers believe that there is ultimately only one Science of all things and that no one item can be fully understood until all is known. If such a science were possible, it would be philosophy. It is still far from being realized in the meantime; instead, we have many knowledge beginnings that have been created in many locations and held apart from one another only for the sake of practical convenience, with the hope that they will eventually come to form a single body of Truth. We refer to these tentative educational beginnings as "the sciences" in the plural. Any such science must disregard all other problems and stick to its own, arbitrarily chosen ones, so as not to become unmanageable. Thus, all sciences accept certain facts at face value, leaving it to the other branches of philosophy to critically examine their relevance and veracity. For example, all the natural disciplines presume that a world of matter exists, even though further thought results in idealism. existing completely apart from the intellect that perceives. According to mechanical science, this stuff has "mass" and to use "force," defining these terms just in their phenomenal sense, and not bothering itself with some incomprehensibility which they display upon closer inspection.

Psychological and cognitive concepts combine to create a new subject called behavioral finance. Behavioral finance studies the irrational biases that influence investors' decisions. Making financial decisions is a difficult and complex process, and as a result, the results of those decisions often consider sociological, psychological, and cognitive theories. An issue existed when actual market behavior or market scenarios did not align with pre-1990 financial theories. Then, in the 1990s, contemporary finance theories pushed early prediction of the reality of theories and markets not matching. Behavioral finance, a branch of modern finance that incorporates psychology, implies that market behavior is also influenced by behavioral finance. While traditional finance is well-known in the

aggregate context, traditional finance theories such as profit maximization and rational behavior fail to take individual behavior into account. Behavioral finance looks into the sociological and psychological factors that affect how individuals and institutions make investment decisions. Behavioral finance factors such as fear, overconfidence, and emotions and cognition also have an impact on the Investment strategy and decision-making procedure. Behavioral finance extends beyond conventional ideas, but incorporate growth in return on investment since judgements about investments are based on fundamental influence the actions of investors.

The study of psychology in relation to how people and institutions make decisions is known as behavioral. Investors' systematic departures from rationality are made clear by behavioral. People are victims of the cognitive biases that cause inefficiencies and abnormalities in the financial markets. Making decisions is, in its literal sense, the process of deciding which of several viable possibilities to choose from when faced with complicated circumstances. As a result of its complexity, the investor must simplify their decision-making process in order to get the best conclusions. As a result, the caliber of the choices taken has a significant impact on both the information obtained and the investor's capacity to comprehend it. It was also mentioned that an investor's low capacity for information analysis and the emotional component of decision-making are the primary causes of a variety of behavioral bias practices and irrational behavior (Al-Mansour, 2020).

People behave in certain ways, and these behaviors are explained by psychological reasons. It has to do with how individuals use and obtain information. It is a component of behavioral finance, which has its roots in psychological biases in behavioral economics. The terms psychological factors and psychological biases are interchangeable in the banking industry. The study of behavioral finance aims to explain how emotions influence people's decisions by examining their psychology. It is clear from this that the study of behavioral and experimental economics and finance has developed with the goal of demonstrating the influence of behavioral, cognitive, and emotional aspects on human behavior and thought processes.

The current research study illustrates how retail investors' investing intentions are impacted by the notion of planned behavior in this context. As a result, this research study will offer appropriate guidelines to help retail investors comprehend their investing goals and learn how to make the best decision without running into conflict. Additionally, stockbroker firms and investment advisors will need to apply these insights in order to effectively advise ordinary investors on how to make investments. Given the aforementioned information, individual investors can utilize this study article to determine how psychological elements such as attitudes, subjective norms, and financial self-efficacy affect their intention to invest. Retail investors can use this information to their advantage. Then, by employing that research study, people can obtain better financial knowledge and greater economic rewards.

Costs, risks, and benefits can be used to categories outcomes that affect attitudes and, indirectly, intentions to act in favor of or against a technology. Costs associated with technology can range from societal costs like subsidies required to make the initial investments cost-effective to personal financial costs like those associated with purchasing or utilizing the technology. Non-financial costs include things like the time and effort required to learn how to use the technology. Risks might be related to financial uncertainty, such as the cost of repairs and maintenance, or they can be safety-related. Technology benefits can include both societal benefits, such less environmental and energy security issues, as well as individual benefits, including easier access to the technology and better local environmental circumstances. Of course, attitudes at any one time are only influenced by perceived and conspicuous costs, risks, and advantages. It should be made clear by empirical research which particular beliefs are important in relation to a given technology and how much they affect attitudes.

1.2 Problem Statement

There are problems with how we process information and think about things called psychological biases, and they can make us believe in a wrong way. They tend to be so familiar or institutional that we don't think of them as biases. Still, they have a significant impact on making decisions and communicating with each other. Behavioral economics is the study of how psychological biases affect and change people's decisions. Think about this: People should make completely logical decisions based on the facts. However,

because of beliefs, social pressures, and a mistake in memory, we often go off the path of logic. Advocators of "behavioral finance" explain how people make decisions when they invest in the stock market. The main goal of this study is to look into how investors' psychology influence investment decisions.

Psychological biases are cognitive processes that lead to incorrect beliefs and are caused by abnormalities in the way we receive and interpret information. They usually don't register as biases because they are so ingrained in society or culture. Nevertheless, they have a big influence on mutual communication and decision-making. The study of how psychological biases influence and alter people's decisions is known as behavioral economics. Consider this: Based only on the available information, people should make fully rational decisions. However, we frequently deviate from reason due to our views, societal influences, and misremembered information. Proponents of "behavioral finance" provide an explanation of how investors make decisions. This study's primary objective is to investigate how the psychology of investor investors affects their financial choices. Three categories can be used to classify psychological biases.

- What are the psychological factors to affect the investment decision?
- Is there any relationship between Overconfidence, Availability, Anchoring, Risk Aversion and Self-control with investment decision?
- Do Overconfidence, Availability, Anchoring, Risk Aversion and Self-control effect on investment decision?

1.3 Objectives of the Study

The purpose of this study is to determine how psychological biases affect Nepalese investor investors' decision-making when making investments. Additionally, the role of risk perception as a mediator between psychological biases and the decision-making of investor investors is examined in this study. The impact of psychological biases on the age, income, education, occupation, marital status, and investment experience of investor investors is also investigated in this study. The study also establishes the association between psychological biases. The aims of this study are as follows:

- To assess the psychological factors to affect the investment decision.
- To examine the relationship between Overconfidence, Availability, Anchoring, Risk Aversion and Self-control with investment decision.

- To analyze the effect of Overconfidence, Availability, Anchoring, Risk Aversion and Self-control on investment decision.

1.4 Rationale of the Study

The purpose of this study is to determine how psychological factors affect investors' investment decisions. First, prior research has addressed the psychological biases and investment decision-making of investor investors. After a conceptual framework is established, research methods will be covered along with the research hypothesis that was developed from it. The research conclusions gained from this study's data analysis were then applied to recommend the contribution. This research is divided into five components.

Investor in their 20s and 30s are not only making money but also have the authority to manage and invest their own funds. The proportion of investors merchant is increasing as more investor have access to user-friendly platforms and information. The sharp decline in interest rates offered by savings, fixed deposit, and reinvestment accounts in Nepal frightened everyone because the returns would not be able to keep up with inflation. Due to its major safety aspect, investor have been the most common participants in fixed and recurring deposits have to hunt for different ways to invest. These days, the number of stock market participants is rising. This shift is mostly the result of easily accessible financial data and intuitive systems. In Nepal, one of the most pervasive myths is that investor is not financially literate. A growing number of business experts are busting misconception. Thus, it is imperative to ascertain that the psychological aspects of investors also contributed to their irrational investing decision.

1.5 Limitations of the Study

Despite the methodological and measurement precautions, the present study has certain limitations, which are acknowledged below

- The study is based on primary data and data are collected from the respondent using questionnaire.
- The accuracy of the data is based on the respondent honesty and responsibility.
- Multiple regression and correlation are the analytic techniques and SPSS is the tools for analysis.

- The research is using descriptive research design, so the research only explains the problem details but not answer how to solve the problems.
- The search only solves three problem and objectives.
- The research only 400 respondents are taken as a sample.

CHAPTER-II

LITERATURE REVIEW

A systematic and repeatable method of presenting the current research in a particular field is through a literature review. This chapter reviews the research that has been done so far on various psychological biases. Heuristic theory-driven biases in memory; prospect theory-driven biases in behavior; and herding-based biases in society. Talk about how investors' sociodemographic affect their psychological biases as well. The analysis of bibliometrics is covered in Part II. Additionally, bibliometrics analysis was performed to comprehend previous trends in this field of study. A statistical analytical tool called bibliometrics offers numerical data regarding scholarly publications. A database's quotes, authors, and keywords, as well as the quantity of articles read, can be analyzed to reveal how knowledge and literature in a certain topic have evolved over time.

2.1 Conceptual Review

Lim (2012) investigated the connection between investors' decisions on the Malaysian stock market and psychological biases such as herding, regret, conservatism, and overconfidence. He discovered that regret, conservatism, and overconfidence all have important positive effects on investors' decision-making. Nevertheless, it was discovered that investors' decision-making was unaffected by herding behavior. The majority of the study's findings were in line with other investigations conducted in other nations. Kengatharan (2014) conducted research on how individual investors' decisions at the Colombo Stock Exchange were influenced by behavioral characteristics. Additionally, the associations between these variables and the performance of investments were also looked at. The findings demonstrated the influence of prospect and market conditions, heuristics (overconfidence and availability bias), herding, and prospecting on the investment choices made by individual investors at the Colombo Stock Exchange. With the exception of the anchoring variable from the heuristic's component, which has a strong influence on investment decision, the majority of the factors have moderate effects. However, only three of the factors looked at have an impact on the performance of investments.

The psychology-based behavioral finance theory aims to comprehend how individual investors' behaviors are influenced by their emotions and cognitive errors (Kengatharan, 2014). A large portion of the research in the field of behavioral finance originates from cognitive psychology, which studies how individuals, including investors, reason, think, and make decisions. Behavioral finance academics contend that a variety of Aversions and preferences influence investors' decisions. The ensuing prejudices and preconceptions will lead investors to overreact to some financial data and underreact to other types, resulting in illogical decisions and altering their risk-taking tendencies. The heuristics theory, sometimes known as "rules of thumb," is a subset of the behavioral finance theory. Heuristics use common sense to solve problems, which facilitates decision making, particularly in complicated and unpredictable contexts. By defining a specific set of criteria to consider, heuristics also streamline the decision-making process (Jordan et al. 2016). Heuristics are frequently based on discovery and are employed to arrive at the best answer. States that Kahneman & Tversky first proposed the availability bias in 1974 and integrated it into the heuristic theory. Included the overconfidence element in the heuristic theory.

2.2 Theoretical Review

Conventional financial theory

Even with the use of traditional finance models, making investment decisions has always involved intricate structures. Economics and human psychology have always been intertwined. At this point, a brand-new school of thinking known as "Behavioral Finance" emerged. The field of behavioral finance is based on the fields of sociology, economics, psychology, and finance. When it comes to investing decisions, the traditional financial theory assumes that investors are logical. Using objective, sound thinking to purchase or sell assets and manage portfolios is known as investment rationality. The trade-off between risk and return is where this objective logic is seen. The two primary considerations when making an investment are risk and return. As a result, whether the portfolio provides the maximum return for a given risk or the lowest risk for a given return, it will be more efficient (Kumari & Sar, 2016).

Behavioral theory

Behavioral finance is based on the idea that actual people matter and that traditional financial theory ignores this fact. According to the Efficient Markets Hypothesis (EMH), actual prices do indeed represent underlying values. Even if not all investors are rational, the markets are thought to be rational, according to EMH. Behavioral finance, in contrast, holds that informational efficiency in financial markets is not always present. According to behavioral theory, individuals are not nearly as logical as conventional finance theory portrays them to be. It investigates how psychological and cognitive variables affect market results and financial decision-making. Numerous economists now understand the anomalies literature to be compatible with a number of human irrationalities that arise during complex decision-making. It looks into the psychological and emotional factors that influence investors' choices. It is the study of how emotional factors cause people in general and investors in particular to make frequent mistakes while making financial decisions. It is only the investigation of the reasons behind the irrational investing decisions made by otherwise rational individuals. Since the area of behavioral finance has grown, it has become evident that psychological and emotional elements have a significant impact on individual investors' investing decisions (Ritter, 2003).

The five-factor model

We propose that this dichotomous good man/bad guy conceptualization is encouraged by the Five Factor Model of parental alienation. The either/or nature of the FFM creates an anchoring bias that prevents everyone from seeing the wide range of potentially important real-world circumstances and interpersonal influences that frequently affect our comprehension of the child's place in the broken family system. Because of this, the FFM exacerbates conflict, accentuates prejudices, warps the Court's understanding of the needs of the child, and ultimately fails to promote positive parent-child connections. Although various research has suggested various personality qualities, the "Big five factor model," create, is the most often used classification. According to the Big Five Factors Model (FFM) is thought to capture the main personality qualities shared by the majority of personality measures. The five aspects of FFM personality that Garber and colleagues identified are extraversion (being an enthusiastic person), neuroticism (being an emotional and moody person), agreeableness (being a social person), conscientiousness

(being a dependable, responsible, and organized person), and openness to experience (being a creative person) Garber and Simon (2024).

2.3 Empirical Review

Lakshmi et al. (2024) analyzed the psychological dynamics that underlie investor behavior in the dynamic world of financial markets. The decisions and activities people take when managing their personal finances across a variety of investment vehicles, such as stocks, bonds, mutual funds, and real estate, are referred to as financial behavior. It contains elements like as risk tolerance, investing objectives, judgement biases, emotions, and financial literacy that are critical in deciding the outcomes of investments. Understanding and being able to control one's own financial behavior is necessary for long-term investing success and financial security. A comprehensive research model has been meticulously constructed to elucidate the intricate relationships between these psychological factors and the process of investment decision-making. Information asymmetry, problem framing, and risk inclination are three psychological factors that are examined in this study in relation to the investment decisions made by 220 investors who trade on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Because psychological biases and cognitive processes have a role in personal investment decisions, understanding their interaction is essential to developing effective investing methods. Investors who were actively trading equities on the BSE and NSE platforms were surveyed in order to collect data using a quantitative research methodology. Two statistical analytic techniques were employed to look at the relationships between investing decisions and psychological factors: regression analysis and correlation research. The study's insights broaden our understanding by shedding light on the intricate dynamics of financial decision-making and the role that psychological factors play in it. Moreover, the insights derived from this research hold significant implications for investors, financial advisors, and lawmakers who seek to enhance investor welfare and promote informed decision-making in the stock market.

Utari et al. (2024) analyzed how demographic potential and psychological elements like social influence, FOMO (fear of missing out), herding behavior, and overconfidence affect people's judgements when making investments for themselves or for groups. As a result, many people are interested in investing, and in order to maximize earnings, it is

important to look into aspects that may affect investment decision-making. The process of making investment decisions reveals a person's level of focus, determination, and steadiness in reaching their objectives. By providing a range of information via social media, it motivates people to share their decisions and influences investor psychology to make a variety of analytical decisions. Through an online survey with 200 respondents spread throughout Indonesia, population data was gathered for the study using a sampling method that used a non-probability sampling approach to several individuals based on investment experience and a tendency to use social media related to investment. The research data was then analyzed using SPSS software. The study shows that psychological elements have a strong and favorable influence on investing decision-making, particularly Social Influence, Fear of Missing Out (FOMO), Herding Behavior, and Overconfidence. These results highlight the critical role that psychological factors play in investing decisions and offer a deeper understanding of investor behavior in a setting where social media is rapidly digitizing the financial landscape.

Othman et al. (2024) investigated the restrictions imposed on most of the world after the COVID-19 pandemic in 2020 altered the economic landscape of nearly every nation, including Malaysia. The Bursa Malaysia's retail investors play a significant role in the growth and maintenance of investment trading. Thus, the goal of this study is to create and validate a tool for evaluating psychological aspects of Malaysian retail investors' decision-making. Thirty responses from Malaysian retail investors were gathered for this pilot study and evaluated using SPSS for exploratory factor analysis (EFA). EFA is to combine components that were connected in order to examine and interpret the data and identify the underlying dimensions of each construct. The findings suggested removing two items from the final instrument. The instrument met the EFA standards and was useful for assessing the psychological influences on the decision-making of retail investors.

Ramadhani et al. (2024) examined the investment decision-making behavior affects specific Islamic investors in both fields. The capital market is the main subject of the majority of studies on investing choices. Psychological ideas such as the herding effect, market, and heuristics prospects are tested in this study. This study employs the structural equation approach as its methodology and makes use of primary data from 303 Islamic

investors in the province of East Kalimantan. The findings demonstrate that heuristics, prospects, and market determinants have a major impact on the investing decision-making behavior of individual Islamic investors in the real and financial sectors. On the other hand, the herding did not significantly affect the real estate and finance sectors' investment decision-making practices of individual Islamic investors. The behavior of individual Muslim investors in the real and financial sectors of East Kalimantan Province, where this behavioral theory research is extensively undertaken in financial markets, may be described by the theory of heuristic, prospect, and market elements. On the other hand, the swarming theory is unable to explain the actions of specific Muslim investors in East Kalimantan Province when they make financial and real estate investments.

Shukla et al. (2024) examined the impact of specified behavioral biases on investors' stock trading decisions. Primary data from a selection of North Nepalese states (Uttar Pradesh, Delhi, Haryana, and Punjab) were gathered for the study using a standardized questionnaire. We used structural equation modelling to find out the significant impact of behavioral biases on stock trading and investment decisions the study found that most of the identified cognitive biases, including the Overconfidence Bias, Representativeness Bias, and Herding Bias, had a large impact on the choices that investors make about investing and stock trading. The majority of the extensive research in this field has been done in different nations; very few studies have been carried out particularly in India. Nevertheless, it is clear from the literature assessment that this study is novel in North India. The goal of this study is to better understand the psychological characteristics of clients in order to increase the efficacy of financial counsellors. Consequently, this will facilitate the creation of individualized portfolios that correspond with the preferences of clients. In order to make wise and profitable financial decisions, individual investors must acknowledge and deal with behavioral biases.

Kumar et al. (2023) analyzed the various behavioral, psychological, and demographic aspects affect financial decision-making, which expands on the field of behavioral science. 634 investors' opinions were gathered for the study via a structured questionnaire that included random and snowball sampling methods. Hypotheses have been tested using structural equation modelling using partial least squares. The suggested model's out-of-sample predictive power has been estimated using PLS Predict. Lastly, the gender

differences have been evaluated using the multi-group analysis. Our research confirms the importance of impulsivity, financial competence, digital financial literacy, and financial autonomy in financial decision-making. Furthermore, there is a partial mediation relationship between digital financial literacy and financial competence. Additionally, the association between financial competence and financial decision-making is negatively moderated by impulsivity. The overall findings of this thorough and original study show the impact that different psychological, behavioral, and demographic factors have on financial decision-making, favoring the creation of a workable and profitable financial portfolio to secure households' long-term financial security.

Adiputra et al. (2023) investigated the order to forecast investment decisions, this study aims to investigate and evaluate the role that locus of control, financial literacy, and demographic characteristics play. In order to sample for this study, a non-probability sampling technique called purposive sampling was used, and a questionnaire was used to collect data. Smarts version 3.3.3 is used in this study to process the data that was gathered. Panel data regression analysis is used in this study, with investment decisions serving as the dependent variable and demographic characteristics, financial literacy, and locus of control acting as independent variables. This kind of information is based on secondary data that comes from financial reports. The study's findings indicate that locus of control, financial literacy, and demographic factors all have a big impact on people's judgements on what to buy on the Indonesia Stock Exchange.

Sachdeva and Lehal (2023) investigated the underlying psychological dynamics influencing investor behavior in the dynamic world of financial markets. The decisions and activities people take when managing their personal finances across a variety of investment vehicles, such as stocks, bonds, mutual funds, and real estate, are referred to as financial behavior. It contains elements such as risk tolerance, investment objectives, judgement biases, emotions, and financial literacy that are critical in deciding the outcomes of investments. Understanding and being able to control one's own financial behavior is necessary for long-term investing success and financial security. To make sense of the intricate relationships that exist between these psychological factors and the process of investment decisions, a comprehensive research model has been painstakingly constructed. In this study, information asymmetry, problem framing, and risk

propensity—three psychological factors that influence investment decisions made by 220 traders on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE)—are examined. Because psychological biases and cognitive processes have a role in personal investment decisions, understanding their interaction is essential to developing effective investing methods. Information was obtained by mailing surveys to investors who were actively trading stocks on the BSE and NSE platforms, utilizing a quantitative research methodology. Two statistical analytic techniques were employed to look at the relationships between psychological factors and investing decisions: regression analysis and correlation research. The study's insights broaden our understanding by shedding light on the intricate dynamics of financial decision-making and the role that psychological factors play in it. Moreover, the insights derived from this research hold significant implications for investors, financial advisors, and lawmakers who seek to enhance investor welfare and promote informed decision-making in the stock market.

Awaluddin et al. (2023) investigated to ascertain the factors that influence young investors' decisions to make capital market investments. Motivation, Environment, Investment Behavior, Personal Interests, and Financial Literacy. This subject was combined from a number of theoretical studies and earlier research projects to form a single factor influencing young investors' capital market investment decisions. This study employed a survey method in conjunction with a quantitative approach and an explanatory design. With a total of 110 samples, the study's sample consists of young investors who trade equities on the Stock Exchange between the ages of 18 and 25. A 5-point Likert scale is used in this study to gather data. Findings indicate that: 1) The independent variables—financial literacy, motivation, personal interest, environment, and investment behavior—al have a positive and significant influence on investment decisions at the same time, accounting for a large 98% of the influence; 2) Other factors not included in the model account for the remaining 2%; and 3) the variables—financial literacy, motivation, personal interest, environment, and investment behavior—have a positive and significant partial effect on investment decisions.

Abideen et al. (2023) examined the effects of behavioral biases on investors' decision-making process when making investments in the Pakistani equity market, considering market anomalies and financial literacy. We do this by using a special sample of 600

investors who answered a structured questionnaire. First, we present the empirical data demonstrating the strong correlation between behavioral biases and market anomalies, as well as the substantial impact these two variables have on investors' decision-making about investments. The further analyses support the roles that specific market anomalies play as mediators in the relationship between investors' behavioral biases and the decisions they make about investments. Moreover, empirical data shows that financial literacy affects investors' decision-making about investments by moderating the relationship between behavioral biases and market anomalies. Overall, our findings demonstrate the significance of financial literacy for both the stability of the stock market as a whole and individuals' capacity to make the best possible investment decisions, even though the results are equivocal on the relationships between some variables.

Shaik et al. (2022) analyzed the important factor in India's GDP contribution is the IT sector.

For India to achieve greater heights and accelerate economic growth, savings and investments are essential. The goal of this study is to comprehend the investment and savings habits of IT professionals. There are several aspects of investing and savings behavior, such as investment characteristics IT professionals have planning, factors that influence investment preferences, and distinct perspective while determining whether to invest in a specific avenue and They want his savings invested in the safest and most convenient manner possible. However, each person's choice differs based on their tolerance for risk. Additionally, their investment goals diverge from monetary stability to additional revenue and so forth. This study aims to identify the variables responsible for rising investment endeavors among youthful professionals. The present has investigated the Investing behavior of IT investors with the use of this study and a structured survey examines the Behavioral Factors that Influence IT Investment Experts.

Daswati et al. (2022) examined the Psychological Capital (PsyCap) affects workers' career engagement and output in Indonesian public service organizations. This study also investigates the indirect impact of PsyCap on performance via the mediating function of career engagement, utilizing the Jobs Demands-Resources (JD-R) model. The participants were full-time staff members of different Indonesian public sector organizations, such as schools. The study was mostly promoted through networks of alumni. Following three

stages of data collection, 265 participants finished the study in its entirety. The Individual Performance Scale (IPS), Career Engagement Scale (CES), and Psychological Capital Questionnaire (PCQ) were used to gather the data, and the Structural Equation Modeling (SEM) method was used to evaluate it. The results of this study demonstrated PsyCap's beneficial impact on workers' performance and career engagement. A good career engagement mitigated PsyCap's indirect effect on workers' performance. According to this study, which took inspiration from the JD-R model and the work engagement perspective, PsyCap offered substantial personal resources to assist staff members in managing challenging career-related tasks. Employees enhanced their performance while taking part in career progression programs. PsyCap gave the staff members psychological tools (such self-efficacy), which improved their performance and job engagement. Conversely, career engagement made the impact of PsyCap on performance easier to achieve. There are not many studies that look into career engagement in public institutions, like this one. Future research directions, ramifications, and a discussion are given.

Gerli et al. (2022) examined the psychological elements (emotions, Aversions, beliefs, and information-seeking) affect skill development in the context of smart agricultural technology, working within the theoretical framework established by the Technology Acceptance Model (TAM) literature. A new conceptual model was developed through interviews with various stakeholders in the agriculture sectors of three European countries: Belgium, Italy, and the United Kingdom. This strategy seeks to generalize the complex relationship that exists between abilities and psychological aspects while implementing smart technology. This conceptualization makes it clear how the interaction between cognitive and emotional elements affects decisions to adopt and use smart technologies, and it enhances the TAM by introducing the new idea of Aversion to learning. It also offers a systematic view of the relationship between skills and psychological factors. Together with these theoretical contributions, the paper stresses the need for policy initiatives that address cognitive and affective barriers to smart technology adoption. It also urges decision makers to abandon the oversimplified notion that improving potential users' digital skills will inevitably increase the uptake and application of smart technologies.

Na et al. (2022) examined the best ways to handle the labor shortage in light of the coronavirus disease 2019 (COVID-19) pandemic is to encourage entrepreneurship as a means of creating jobs. The normalization of COVID-19 has forced entrepreneurs to extend their job or startup cycles. Consequently, this study uses an online survey conducted in Jiangsu Province, China, to examine the effect of career readiness to postpone satisfaction on entrepreneurial aspiration. The results suggest that career delayed contentment intention positively promotes entrepreneurial intention (EI), since students with high levels of career delayed contentment also have greater levels of EI. This process is altered by psychological capital (PC), which strengthens PC and increases the impact of job delayed satisfaction on emotional intelligence (EI). The key elements of PC are adaptability, optimism, hope, and self-efficacy. This study provides a useful reference for lowering the work conditions brought on by the COVID-19 pandemic by combining the readiness to start a business with the willingness to wait for satisfaction.

Koveshnikov et al. (2022) investigated the stress-inducing impacts of employment discrimination and intra-family worries on expatriates' inclinations to leave their host country in the high-stress setting of the ongoing COVID-19 epidemic. We also investigate the potential moderating effects of gender and work adjustment level on the likelihood that workplace discrimination and intra-family health concerns will result in psychological stress. We find general support for the model based on our examination of 381 expatriates who live and work in the United Arab Emirates. There is currently little research on expatriation in high-stress situations where tension is brought on by unforeseen and continuous natural disasters. In this study, we design a model based on stress theory we also uncover a fascinating moderating effect of work adjustment on the association between psychological stress and intra-family health concerns. All things considered, the investigation is among the first to clarify how stressors related to natural calamities influence the results of expatriates.

Wangi et al. (2021) analyzed how individual investment decision behavior is influenced by financial behavior, financial Aversion, financial knowledge, and sociodemographic characteristics. The BNI Securitas Denpasar City is where this study was carried out. The study's demographic consists of all Denpasar City residents who use BNI Securitas to make stock market investments. Purposive sampling, a non-probability sampling

technique, was used in this study to get a sample of 200 participants. Multiple linear regression analysis approaches were employed in the data analysis procedure. The findings demonstrated the beneficial influence of financial behavior, financial Aversion, financial knowledge, and sociodemographic characteristics on the decision-making process of individual investors. The general public must come to understand the significance of financial behavior, Aversion, and knowledge in managing funds since they are the primary components of choosing an investment that will pay off in the long run.

Kartini and Nahda (2021) analyzed the relationship between emotions and cognition in financial decision-making. The past 20 years, the field of finance has undergone a paradigm change from standard to behavioral. The purpose of this study is to look into how different psychological aspects affect people's decisions about investments. The two types of psychological components under investigation are cognitive and emotional characteristics. We look at how anchoring, representativeness, loss aversion, overconfidence, and optimism biases affect investor decisions from a cognitive perspective. In the meantime, the impact of herding behavior on investment choices is examined from an affective perspective. 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 results of the study demonstrate that all of the factors, including herding behavior, optimism bias, overconfidence, loss aversion, representativeness, anchoring, and optimism bias, have a major impact on investing decisions. This finding highlights how behavioral aspects affect investors' judgements. By minimizing all potential biases, it improves investors' capacity to make more informed decisions and adds to the body of literature already in existence regarding the dynamics of investor behavior.

Ogunlusi and Obademi (2021) investigated to look how investing decision-making is affected by behavioral finance using a sample of investment banks. The four investment banks under investigation—Overinvest West Africa Limited, Meristem Securities, Vetiver Capital, and ARM Nigeria Limited—were given a total of 200 questionnaire items. Of those, 180 questions, or 90% of the total, were collected from the respondents.

Tables, percentages, correlation analysis, and multiple regression analysis were used to analyse the data. Overall, the empirical results supported prior research and aided in generalization by showing a favorable relationship between behavioral finance and investment decisions. The study's other conclusions are as follows: heuristics and individual investment decisions have a significant relationship; prospect theory and individual investment decisions have a significant relationship; and heuristics and investment decisions have a strong and negative relationship. Likewise, there is a high and negative correlation between prospect theory and investment decision. In light of the aforementioned conclusions and findings, institutional and individual investors are advised to consider the following: Prospect theory and heuristics are only two examples of the behavioral aspects that investors should be made aware of as they can have a significant impact on their decision-making process.

Rahayu et al. (2021) investigated the model of investor herding behavior in the Indonesian capital market, where social and informational factors affect the Book Value Per Share (BVPS). According to the most recent state of the stock market, most investors make the same mistakes when choosing investments that end up losing money. Two independent variables—BVPS knowledge and social influence—are used in this experiment. A 2x2 factorial design laboratory experiment was employed in this study. Treatment of a sample of 100 individual investors who were listed on the Indonesia Stock Exchange served as the method for gathering data. The statistical approach known as Univariate Two-Way Analysis of Variance (ANOVA) was employed to examine the impact of the independent variable on the dependent variable. The study's findings demonstrated that when it comes to the behavior of herding investors in making investment decisions, social influence from knowledgeable investors has a greater sway than information on Book Value Per Share (BVPS). These results imply that investors have a better understanding of their psychological components, which improves self-control and investing analytical abilities. Psychological bias and other accounting-relevant information measures, such Earnings Per Share (EPS), can be used in future study to examine herding behavior in capital market investment decision-making.

Khan et al. (2021) examined the impact of two heuristic biases on investors' investment decisions in the Pakistan stock exchange: availability prejudice and representativeness

bias. Additionally, the moderating influence of long-term orientation will also be examined. A total of 374 answers from individual investors trading in PSX have been gathered through the use of a standardized questionnaire. Using Smarts 3.2.2, the partial least square structural equation model was applied to test the association. Furthermore, the data set was subjected to the moderation analysis process using product indicator approach. The findings showed that representativeness and availability biases significantly and favorably affect investors' investing decisions. Furthermore, the impact of representativeness bias on investment is significantly moderated by long-term orientation. This implies that the impact of representativeness bias on investment decision-making is mitigated by investors' long-term orientation. But there was no discernible moderating influence for availability bias. The study offers fresh perspectives on how heuristic-driven biases affect individual stock market investors' investment choices. Its improved knowledge of the behavioral components of investing decision-making in emerging markets in particular.

Nadeem et al. (2020) analyzed the influence of investors' money aversions on their decisions to participate in the stock market (SMP). The theory of planned behavior (TPB) was the basis for this investigation, and active investors' responses to a survey were gathered. The suggested linkages between the constructs were analyzed using structural equation modelling (SEM), and the validity of the constructs and the interrelationships between the variables were verified by confirmatory factor analysis (CFA). According to the study's findings, investors' financial Aversions have a big influence on whether or not they decide to participate in the stock market. It was also discovered that the association between money Aversions and stock market involvement is somewhat mediated by risk Aversions. Additionally, the association between money Aversions and stock prices was favorably attenuated by financial knowledge and financial self-efficacy. One of the earliest studies on investor money Aversions, this study presents financial self-efficacy as a moderating factor between investor money Aversions and stock market involvement. The 250 respondents that made up the sample size for this study can be enlarged for more research, and a larger sample can be used to investigate the same relationships. Furthermore, money Aversions have been used in this study to predict stock market participation. Numerous other factors, such as personal value, can also be examined to determine how they affect stock market participation.

Adielyani and Mawardi (2020) investigated the risk tolerance, herd mentality, and overconfidence affect stock investment choices. The prevailing theories argue that investment decisions are positively and significantly impacted by overconfidence, herding behavior, and risk tolerance. The demographic of this quantitative study is millennial investors in Semarang City, Central Java, Indonesia. Using purposive sampling, 98 respondents were included in the study. The information gathered via Google Forms quizzes. Multiple linear regressions were employed in the data analysis process, and SPSS version 22 was used for the application. The findings demonstrated that millennial investors' decisions to purchase stocks in Semarang City were positively and significantly impacted by their overconfidence, herding behavior, and risk tolerance.

Kim et al. (2020) investigated the multiple factors involved in the Bitcoin craze despite concerns about its shortcomings. It inspired people to invest in it as well as distinct drawbacks. Short-term price spikes in Bitcoin caused additional investors to jump into the market with enthusiasm, which sparked worries about speculative bubbles. We first postulated that Bitcoin investors would differ from share investors in a number of ways related to personality traits and psychological states, online use behaviors, and investment patterns. We also postulated that investors' personality, psychological moods, and investment behaviors may indicate whether they would invest in shares or Bitcoin based on our beliefs about these differences. Following completion of the study protocol, 307 respondents in total were divided into three groups: non-investors ($n = 104$), share investors ($n = 102$), and Bitcoin investors ($n = 101$). In addition to the Fear of Missing Out (FoMO) scale, Temperament and Character Inventory-Revised-Short (TCI-RS), Mood Disorder Questionnaire (MDQ), trait anxiety portion of the State-Trait Anxiety Inventory (STAI-T), and the Korean version of the Canadian Problem Gambling Index (K-CPGI), a self-report questionnaire on demographic data, online use patterns, and investment patterns was also administered. The study's findings showed that a variety of factors, including the following, interact to influence Bitcoin investments. In particular, the best predictor of Bitcoin investment is the investment pattern. The peculiar investing patterns, increased propensity for gambling, and higher novelty seeking were characteristics of bitcoin investors. Hence, the significant Bitcoin investments may be explained by personality, psychological conditions, and investment habits.

Rahman and Gan (2020) examined the behavioral elements that influence Malaysian Generation Y members' individual investment decisions. A sample of 502 respondents was used to investigate five human behaviors: trait anger, trait anxiety, overconfidence, herding factor, and self-monitoring. The findings show that while self-monitoring is positively correlated with investing decisions, trait anxiety and overconfidence are adversely correlated. Herding conduct and trait rage have no bearing on investing decisions. The findings also demonstrate that there are notable differences in investment decision-making based on factors such as gender, work level, and income distribution. The findings indicate that only those who work for themselves and those in the 5–10% income allocation group had moderately good investment decision-making outcomes among these three variables.

Nosita et al. (2020) analyzed the risk tolerance and demographic factors in relation to Indonesian society. It is conducted by the Financial Services Authority of Indonesia (OJK), only roughly 21.8% of Indonesians were financially literate. The prevalence of illicit investment in Indonesian society in recent years indicates that the country's citizens do not completely comprehend the advantages and hazards associated with making financial decisions. 850 people responded to the online surveys that were distributed. We use Subjective Risk Tolerance, which describes the respondent's perception of risk, to analyse the impact of demographic characteristics on willingness to take risks. The outcome shows that when it comes to describing risk tolerance, age and gender are statistically unimportant. Meanwhile, a person's education, income, and marital status all play a big role in determining their level of risk tolerance. Investor and men have equal opportunities to get jobs and positions inside a corporation when it comes to gender equality in the workplace. Additionally, investor now have a fantastic opportunity to become wealthier and earn more money than they did in the past. Relationship between marital status and responsibility: the more responsibility taken on, the lower the risk tolerance. The financial decision is better understood the more information there is. information analyzed and applied to improve decision-making. The outcome demonstrates that the Government of the Republic of Indonesia, particularly to The Indonesia Stock Exchange and Securities Firm, should pay attention to demographics in order to carry out an education program and increase society's awareness.

Table 1*Summary of Empirical Review*

S.N.	Author(s)	Variables	Methodology	Findings
1	Lakshmi et al. (2024)	Dependent Variables: Investment Decision Independent Variables: Financial Behavior, Personal Investment, Psychological Factors	which involved distributing a structured questionnaire to 220 Nepalese Stock Exchange financial investors in order to get their feedback on data gathering	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
2	Utari et al. (2024)	Dependent Variables: Investment Decision Independent Variables: Social Influence, Fear of Missing Out, Herding Behavior and Overconfidence	tendency to use social media related to investment through an online survey involving 200 respondents scattered across Indonesia, analysis of the research data using SPSS software	These findings underscore the crucial role of psychological aspects in investment decisions, providing deeper understanding of investor behavior in an investment environment increasingly digitized by social media
3	Othman et al. (2024)	Dependent Variables: Retail Investor Independent Variables: Exploratory Factor Analysis, Investment Decision Making, Psychological Biases	In this pilot study, 30 responses from retail investor in Malaysia were collected to be analyzed for exploratory factor analysis (EFA) using SPSS	The results recommended that two items were deleted for final instrument
4	Ramadhani et al. (2024)	Dependent Variables: Investment Decision Behavior Independent Variables: Herding, Heuristic, Islamic Investor, Market Factors, Prospects.	The methodology used in this study is the structural equation method and uses primary data from 303 Islamic investors in East Kalimantan Province. T	the herding theory cannot describe individual Muslim investors' behavior in making investment decisions in the real and financial sectors in East Kalimantan Province.

5	Shukla et al. (2024)	<p>Dependent Variables: investor stock trading</p> <p>Independent Variables: Behavioral Biases, Overconfidence (OC) bias, Representativeness Bias (RB), Herding Bias (HB), Structural Equation Modelling</p>	<p>The study used primary data collected from a sample from North Nepalese States</p>	<p>The investigation determined that the majority of the designated cognitive biases</p>
6	Kumar et al. (2023)	<p>Dependent Variable: Financial Decision Making</p> <p>Independent Variables: Financial literacy, Financial autonomy, Financial Aversion, Financial capability and Behavioral finance</p>	<p>The study utilizes a structured questionnaire to collect the opinions of 634 investors using a blend of random and snowball sampling techniques</p>	<p>Our findings attest the relevance of digital financial literacy, financial capability, financial autonomy, and impulsivity on financial decision making. Additionally, financial capability</p>
7	Adiputra et al. (2023)	<p>Dependent Variable: Investment Decisions</p> <p>Independent Variables: Demographic Factors, Financial Literacy, Locus of Control</p>	<p>In this study, the authors used a sample consisting of 100 respondents. The questionnaire used is in the form of an electronic questionnaire using the Google Form.</p>	<p>he results of this study is that there is a significant influence of Demographic Factors, Financial Literacy, and Locus of Control on investment decisions on the Indonesia Stock Exchange.</p>
8	Sachdeva and Lehal (2023).	<p>Dependent Variables: Investment Decision</p> <p>Independent Variables: Financial Behavior, Personal Investment, Psychological Factors,</p>	<p>This study examines the impact of three psychological aspects on investment decisions made by 220 investors</p>	<p>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</p>

9	Awaluddin et al. (2023)	Dependent Variable: Invitation decision Independent Variables: Financial Literacy, Motivation, Personal Interest, Environment and Investment Behavior	This study used a quantitative approach with an explanatory design using a survey method.	variables. the motivational variable is the dominant determining factor while the minimum is financial literacy.
10	Abideen et al. (2023)	Dependent Variable: investment decision Independent Variables: behavioral biases; financial literacy; stock market anomalies	Using a unique sample constructed by 600 investors' responses to a structured questionnaire	results highlight the importance of financial literacy in terms of optimal investment decision making of individuals and the stability of the overall stock market.
11	Shaik et al. (2022)	Dependent Variable: IT Professionals Independent Variables: Savings, Strategic Investment and GDP	Primary data have been collected by using Google form from samples of 100 respondents.	This paper attempts to find out the factors accountable for increased investing activities among young professionals.
12	Daswati et al. (2022)	Dependent Variable: Psychological Capital Independent Variables: employees' career engagement and performance in public service organizations.	The survey was administered using the Question Pro research edition (questionpro.com).	This study investigates individual perception of their task and contextual performance regardless the job levels and public organization types.
13	Gerli et al. (2022)	Dependent Variable: skill development Independent Variables: emotions, Aversions, beliefs, and information-seeking	Working within the theoretical framework set by the Technology Acceptance Model (TAM) literature	This section presents the results of our analysis. Interviewees across the three countries agreed that the beliefs of farmers related to smart

				agriculture technologies.
14	Na et al. (2022)	Dependent Variable: Psychological Capital Independent Variables: Entrepreneurial Intention and Delayed Job Satisfaction	Quantitative research was a suitable method for demonstrating the original hypothesis and constructing the relationship between EI and occupational delay of gratification.	This study investigates EI, PC, and delayed career satisfaction by online survey using Wenjuanxing, a platform sharing questionnaires to target volunteers.
15	Koveshnikov et al. (2022)	Dependent Variable: psychological stress Independent Variables: workplace discrimination, work adjustment and gender	Following a positivist approach, we collected data by surveying expatriates living and working in the UAE.	The analysis is among the first ones to shed light on the role of natural crises' stressors in defining expatriate outcomes.
16	Wangi et al. (2021)	Dependent Variable: individual investment decision behavior Independent Variables: financial Aversion, financial behavior, financial knowledge, sociodemographic factors	In this study the sample was taken by nonprobability sampling method, namely purposive sampling, so the sample in this study was 200 people.	financial behavior and financial knowledge in managing funds because these factors are the main factors in making an investment which will be useful in the future
17	Kartini and Nahda (2021)	Dependent Variable: Investment Decision Independent Variables: Behavioral Finance, Emotional Bias, Cognitive Bias	A quantitative approach is used based on a survey method and a snowball sampling that result in 165 questionnaires from individual investors in Yogyakarta.	This result emphasizes the influence of behavioral factors on investor's decisions.
18	Ogunlusi and Obademi (2021)	Dependent Variable: investment decision Independent Variables: Behavioral finance, heuristics, prospect theory	A total of 200 questionnaire items were administered to the respondents of the four surveyed investment banks including Afrinvest West Africa Limited	The other findings of the research are thus: there is a significant relationship between heuristics and individual investment decision
19	Rahayu et al. (2021)	Dependent Variable: Herding Behavior in Investment Decision Independent Variable:	This study used a 2x2 factorial design laboratory experimental method. Data collection was carried out through treatment of a	These findings suggest that investors know their psychological factors,

		Social Influence, Information about BVPS, Influence and Informant	Influence, about Social and	sample of 100 individual investors listed on the Indonesia Stock Exchange	thereby increasing self-control and investment analysis skills. F
20	Khan et al. (2021)	Dependent Variable: Investment decisions Independent Variables: Heuristics, Behavioral finance, Availability bias, Long term orientation, Representativeness bias	Variable:	Using a structured questionnaire, a total of 374 responses have been collected from individual investors trading in PSX	results revealed that availability bias and representativeness bias have a significant and positive influence on the investment decisions of investors
21	Nadeem et al. (2020)	Dependent Variable: Stock Market Participation Independent Variables: Risk Aversions, Financial Self-Efficacy, Financial Knowledge	Variable:	The sample size for this study was 250 respondents which can be increased in future research	This study has provided evidence that investor's stock market participation decisions are influenced by distinct psychological factors like money Aversions, risk Aversions, and financial self-efficacy. This research is of great interest because it intends to describe
22	Adielyani and Mawardi (2020).	Dependent Variable: Investment decisions Independent Variables: Overconfidence, Herding Behavior, Risk Tolerance	Variable:	The data collected through questionnaires with Google form. T	The results showed that the overconfidence, herding behavior, and risk tolerance provided a positive
23	Kim et al. (2020)	Dependent Variable: investments in Bitcoin Independent Variable: psychological states, online use patterns	Variable:	Five human behaviors such as trait anger, trait anxiety, overconfidence, herding factor and self-monitoring have been examined using a sample of 502 respondents.	The results of this study indicated that Bitcoin investments can be attributed to the interaction of multiple factors, among which personality,

24	Rahman and Gan (2020)	Dependent Variable: Investment decision Independent Variables: Generation Y, Behavioral factor, Trait anxiety, Trait anger	Variable: Five human behaviors such as trait anger, trait anxiety, overconfidence, herding factor and self-monitoring have been examined using a sample of 502 respondents.	psychological states The results reveal that trait anxiety and overconfidence are negatively related to investment decisions while self-monitoring is positively associated. Trait anger and herding behavior do not significantly affect investment decision
25	Nosita et al. (2020)	Dependent Variable: Subjective Risk Tolerance Independent Variables: risk aversion; demographic factor; Indonesia; capital market	Variable: The research describes demographic factor and risk tolerance in the context of Indonesia's society. The questionnaires distributed online and were obtained 850 respondents	. The result shows that in order to conduct an education program and increasing society's knowledge, Government of the Republic of Indonesia, especially

2.4 Research Gap

Although there is a lot of interest in this field, not much study examines the underlying variables that may cause individual variances, which are crucial in influencing people's behavior when making investment decisions. Previous research has mostly concentrated on the relationship between financial literacy and household financial decisions, with less attention paid to the impact of financial literacy on psychological bias and investment decision-making behavior, particularly in the context of the stock market. This is because financial literacy is a significant determinant of personal financial behavior. Until someone is capable and confident enough to use their financial knowledge to make the best possible investment decisions, having financial knowledge is insufficient. Because self-efficacy is essential for triggering coping behaviors, it is the most crucial precondition for behavioral change, according to prior research and the academic foundation theory of planned behavior. It is noteworthy that a large portion of the research that has been done on self-efficacy has been done in both organizational and personal financial management contexts. There is little research on stock market investors' financial self-efficacy. Recently, a small number of studies have provided some

insight on the potential applications of self-efficacy in the stock market. Therefore, it is imperative to close this gap by investigating how individual investors' financial self-efficacy influences their investment choices in the setting of the stock market. Risk is a significant factor in how people make decisions because of its nature and how it is perceived. Previous research assumed that investors make decisions about their investments based on an objective assessment of the risks and projected returns. Making investing decisions requires more than just a purely objective assessment of risk. Therefore, more research incorporating the subjective aspect of risk is required. A study of the majority of previous empirical research found that these studies employed psychological bias as a proxy for one type of investor behavior. Despite offering insights, they did not address the combined and relative influence of biases on investment choices. While some behavioral finance studies have explained the impact of psychological bias, few have solely looked at the intervening role of psychological bias and whether there are any appreciable differences between the effects of heuristic and frame dependent bias with regard to decision making. The erratic behavior of the stock market makes individual investors more fearful and anxious. Thus, comprehending the function of emotional intelligence in relation to stock market decision-making behavior is essential. Additionally, it is acknowledged that very few researches looked at how emotional intelligence influences investing decision-making behavior, however several have included this topic. its moderating function in the context of the stock market. Particularly in the context of the Nepalese stock market, no unique and thorough study that included all these elements in a framework has been done. The relationship between investors' personal financial competency factors such as financial literacy and financial self-efficacy and their decision-making behavior regarding investments, as well as the mediating effects of psychological biases, risk Aversions, and emotional intelligence, must thus be empirically investigated. This study aims to investigate the aforementioned variables and their correlations inside the Nepalese stock market. The ultimate goal is to develop a comprehensive model that can offer significant insights into the field of behavioral finance.

CHAPTER-III

RESEARCH METHODOLOGY

Through methodical and planned processes comprising the gathering, analyzing, and interpretation of data and facts, the research methodology functions as an organized approach to solving an issue. It includes the approach, framework, and methodology used in studies to answer research questions or validate research hypotheses. The components of research design, data sources, population and sample, and data analysis techniques and instruments are all covered in this chapter on research methodology. The following is an outline of the main elements of the research methodology as they relate to this study

3.1 Research Design

The study has concentrated on a wide range of elements and characteristics pertaining to microfinance services. This study has used both descriptive and casual comparative research design. Descriptive research design has been used to assess psychological factors of investment decision. Casual comparative research design has been used to examine the relationship between psychological factors with investment decision and to analyze the effects of psychological factors on investment decision. To improve the report's informative value, comparative data will be added. The analysis and interpretation of financial data will be done using statistical and financial methods. The study's descriptive nature is apparent as it aims to illustrate investors' and investment decision.

3.2 Population and Sample and Sampling Design

The population of the study is comprised of all individual investors who have a minimum of two years of trading experience in the Nepalese stock market. Two years of active trading experience is emphasized as an inclusion criterion so that investors with a sufficient understanding of various stock market fundamentals, trading and investment patterns, and the volatility nature of the stock market can be included in the sample. The study's population is finite, but the exact number of individual investors who are actively trading is not available from any concerned authorities, as they were not willing to disclose the details of their investors. So, it is impossible to go for probability sampling techniques. As the sample frame could not be prepared due to the lack of availability of a

source list of the population, a non-probability sampling method was adopted and the approach agreed upon by prior researchers like. The sample was selected on the basis of a combination of purposive and snowball sampling. The survey respondents were chosen based on criteria such as: (i) the respondents must actively invest in the Nepalese equity market: and (ii) the respondents must have at least two years of trading experience

3.3 Nature and Source of Data and Instrument of Data Collection

Data were collected for the present study mainly from primary sources. The primary data for the study were collected from actively trading investors in the Nepalese equity market on the variables considered for the study. Secondary sources used for gathering information on the Nepalese stock market's outlook, growth, and development include websites and reports of SEBI and NSE, journals and magazines, periodic reports of RBI, and books on stock markets, behavioral finance, and investor psychology. The primary responses are collected from the 400 investor investors who invest in the stock market. The primary information is collected using the survey method using the questionnaire as a data collection tool. Close-ended questionnaire adapted from the literature review. —Survey research has been used in the past, and most researchers used a questionnaire to conduct their surveys

3.4 Methods of Analysis

With the use of a judgmental sampling technique, individual investors are sampled. The study only collected information from active investors and those who voluntarily participated, as there isn't a list of Nepali investors and many want to keep their financial affairs private. As a result, the researchers of the study determined that the judgmental sampling strategy was suitable. The respondent had to be the major financial decision-maker for the household and a resident of Nepalese in order to be included in the sample.

3.4.1 Reliability Analysis

Here, reliability is evaluated through the application of the Cronbach's alpha measurement approach, which looks at the dependability of surveys with many Likert scale questions. When analyzing alpha in Likert scale questions, the following basic rule is used:

Table 2*Cronbach's Alpha*

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

3.4.2 Statistical Analysis

Mean (\bar{X})

In statistics, the average or arithmetic average of a collection of numbers is denoted by the mean. Alongside the median and mode, it functions as a measure of central tendency within a probability distribution. Furthermore, it is also frequently called the expected value.

Standard Deviation (σ)

The standard deviation is a statistical measure used to express how much a group of data vary or are dispersed. It entails determining how far each data point deviates from the mean and is computed as the square root of variance (Acharya, Shah, Yadav & Poudel, 2018). It is denoted by (σ).

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

Where,

X= variables

\bar{X} = mean

n= No. of Period

Minimum and Maximum

In the research context, the highest frequency value in the distribution is referred to as the maximum, and the smallest frequency value is represented by the minimum.

Understanding the range of frequency discrepancies within the study values is made easier by this measurement.

Correlation Analysis (r)

Finding the correlation between two variables has never been easier. The extreme goods' sizes have no bearing on it. The standard symbol for the Karl Pearson coefficient of correlation is "r."

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

Where,

N = number of X and Y

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

$\sum X$ = Sum of the series X

$\sum Y$ = Sum of the series Y

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

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

According to Acharya et al. (2018), correlation analysis is a statistical method used to ascertain the nature and degree of a relationship between two sets of variables. The degree of correlation between two variables is quantified and their covariance is illustrated. This relationship is described by the Pearson correlation coefficient. The value of the correlation coefficient falls between -1 and +1. The two variables move precisely in opposing directions when the correlation coefficient is -1, which denotes a perfect negative correlation. A correlation value of +1, on the other hand, denotes a complete positive association and shows that the variables are moving simultaneously.

Regression Analysis

A statistical technique called multiple regression analysis is used to look at the relationship between several independent (predictor) variables and one dependent (criterion) variable. Predicting changes in the dependent variable from changes in the independent variables is the main objective of multiple regression analysis. This analysis evaluates multiple regressions' predictive power. Additionally, the percentage of variability in the dependent variables that the regression equation can explain is

quantified by the multiple determination. The following is an expression for the multiple regression equation:

Model

$$ID = \alpha + \beta_1 \times OC + \beta_2 \times AB + \beta_3 \times AH + \beta_4 \times RA + \beta_5 \times SC + e$$

Where,

ID = Investment Decision

OC = Overconfidence

AV = Availability

AH = Anchoring

RA = Risk Aversion

SC = Self-Control

3.5 Research Framework and Definition of Variables

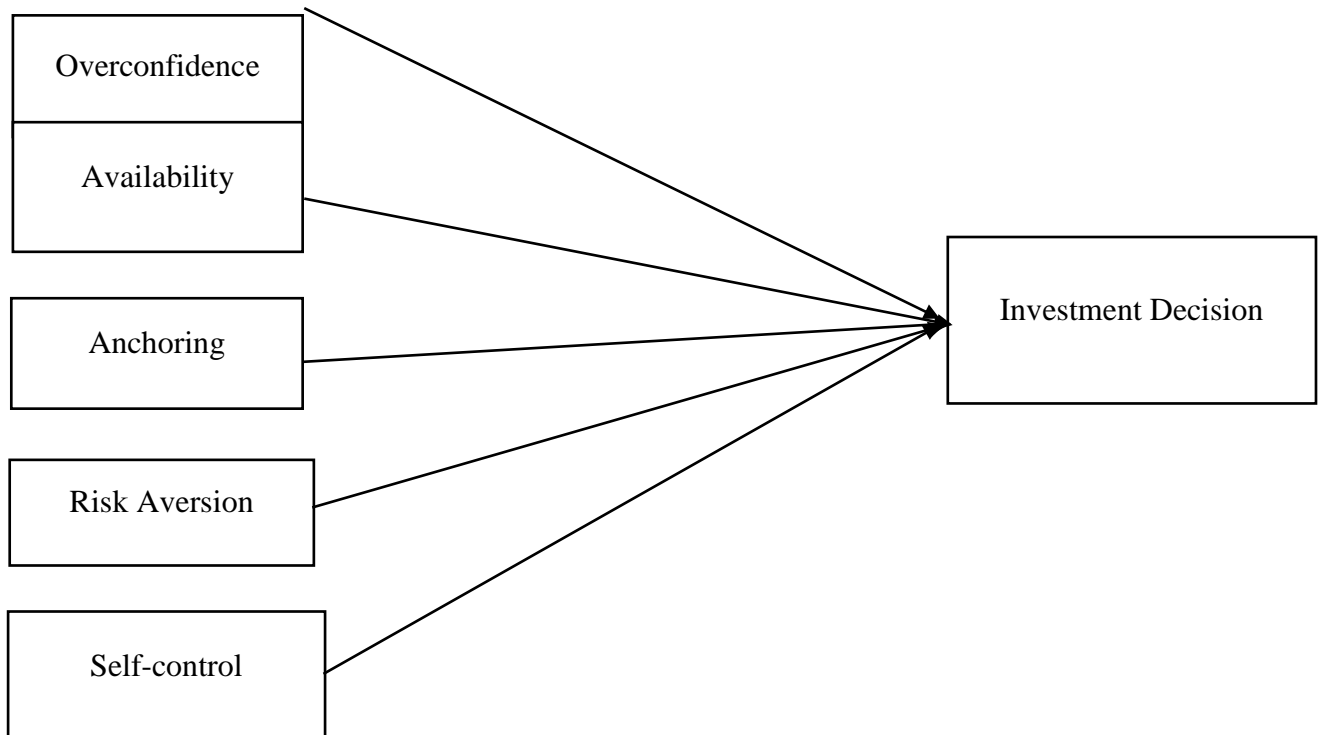
The variables are shortened as follows for the ease of presenting the research. This is seen in the figure that follows

Figure 1

Research Framework

Independent Variables

Dependent Variable



Source: (Ige &Adebayo,2024)

Overconfident

Overconfidence among investors is a key concept in behavioral finance. An example of a cognitive bias is overconfidence bias, which describes investors' propensity to overestimate their knowledge, skills, and talents when making financial judgements. Overconfidence bias has been thoroughly researched in psychology and was first applied to finance in the late 20th century. Early studies in behavioral finance and economics, such those of, demonstrated how overconfidence influences financial and economic choices. For investors, it's imperative to identify and address overconfidence bias since it can negatively impact long-term investment success. Those who invest may overpay for risks or make bad choices if they believe they are more knowledgeable or experienced than they actually are (Singh et al., 2024).

Availability

Availability bias is the idea that an individual's perception of an event's possibility or frequency is influenced by its perceived availability, or lack thereof, in their mind. "The ease of recall (or imagination) of instances of specified event" is how we define availability bias. When such availability-based estimates are affected by elements like concreteness, drama, familiarity, recency, and relevance, it creates a bias in an experiment where they saw that participants assessed the likelihood of events by considering how readily available, or relevant, examples were to them (Godefroid et al., 2024).

Anchoring

Anchoring is the use of irrelevant information as a reference for evaluating or estimating some unknown value or information. The phenomenon known as "anchoring" describes how people's estimates of an unknown quantity tend to lean towards early values that are either generated partially by the problem or by the problem itself. People tend to believe an initial supplied figure that easily and immediately comes to mind, which distorts the estimation. Dual-process theory, which holds that Type 1 processes are automatic, intuitive, quick, and don't require much mental work, and Type 2 processes are regulated, reflective, sluggish, and require more effort, had a significant influence on this research on heuristics and biases.

Despite the fact that these effects have been the subject of several study, it is still unclear how to explain them, maybe due to the wide range of possible psychological mechanisms (Kakinohana et al., 2023).

Risk Aversion

Investor risk Aversion is considered as a mediating variable in the research. From a conceptual standpoint, risk Aversions refer to an individual's intention to act based on their assessment of a risk circumstance, be it favorable or unfavorable. Individuals vary in how they approach risky and ambiguous decisions. Variations in risk Aversion are frequently used to characterize or explain these discrepancies. The fundamental characteristics are a penchant for taking risks and aversion to them, or caution. It is a general Aversion (as a mind-set) towards taking or avoiding a risk while determining how to continue in circumstances with uncertain results (Blais & Weber, 2006).

Self-control

Self-control is a self-regulatory condition that represents the psychological process people go through to consciously resist their immediate urges in order to achieve their long-term objectives. In this sense, self-control can work well when impulses are suppressed in the service of ultimate objectives, and it can work poorly when impulses are not completely suppressed and end up working against final objectives. Other executive functioning and self-regulation functions, such suppressing urges and short-term cravings to promote long-term planning and successful goal pursuit, depend on self-control. Additionally, self-control can appear as a dispositional trait; nonetheless, it is important to understand that trait and state self-control are not interchangeable or consistently connected (Muraven, 2010).

Investment Decision

The process of selecting an investment from a range of options is known as investing, and it is frequently influenced by the returns of previous investments as well as anticipated future returns (When it comes to making financial decisions, there are two types of investors: irrational and sensible. Investors that act rationally base their decisions only on information about potential investments and sound reasoning. Irrational investors, on the other hand, make biased investing selections since they base their decisions on psychological factors (Ige & Adebayo,2024).

CHAPTER-IV

RESULTS AND DISCUSSION

In order to facilitate the availability of results about the study's objectives, the data analysis results are supplied. To guarantee the best outcomes, the data have been examined in accordance with the study methods described in the third chapter. The reader's familiarity with the principles of data analysis and interpretation is the goal of this chapter. The presentation is methodically arranged according to the variety of instruments and approaches applied in order to identify connections and applicability between the information and the goals. It includes a main data analysis and the findings that follow.

4.1 Result

4.1.1 Demographic Characteristic

Multiple regression analysis's primary objective is to forecast changes in the dependent variable based on changes in the independent variables. This method helps evaluate the multiple regressions' predictive potential. Moreover, the multiple regression determination can be understood as the proportion of variation in the dependent variables that the regression equation can explain.

Table 3

Demographic characteristics

Variable	Description	Count	Percentage
Age	20-30	120	30.00
	36-50	160	40.00
	51-60	70	17.50
	Above 60	50	12.50
Total		400	100.00
Educational qualification	Graduation	150	37.50
	Post-Graduation	190	47.50
	Professional	60	15.00
Total		400	100.00
Marital Status	Married	180	45.00

	Single	220	55.00
Total		400	100.00
Income	Up to 15000	110	27.50
	15000-20000	120	30.00
	20000-25000	100	25.00
	More than 25000	70	17.50
Total		400	100.00
occupation	Public sectors employee	90	22.50
	Private Sector employee	180	45.50
	Self-employed professional	80	20.00
	Businessmen	50	12.50
Total		400	100.00

Source: field survey 2024

Table 3 show the demographic characteristics of the participants. Regarding the age of the respondents, 30 percent of them belong to the age group of (20-30) years, 40 percent belong to the age group of (36-50) years and 17.50 percent belong to the age group of (51-60) years, 12.5 percent belongs to 60 years and above. With reference to the educational level of the respondents, 37.50 percent of them have Graduation, 47.50 percent have Post Graduation level and 15.00 percent have attained a Professional. Regarding Marital Status 45 percent of the participants are married, 55 percent are Single. Regarding income 27.50 percent earn Up to Rs15,000, 30.00 percent earn between Rs15000 – Rs20,000, 25.00 percent earn Rs20,000 –Rs25,000 and 17.50 percent More than Rs 25,000. Most of the participants are Public sectors employee which are 22.50 percent, and 45.50 percent are Private Sectors employees while very few 20.00 percent are self-employed professional. Regarding income 27.50 percent earn Up to Rs15,000, 30.00 percent earn between Rs15000 – Rs20,000, 25.00 percent earn Rs20,000 – Rs25,000 and 17.50 percent More than Rs 25,000.

4.1.2 Reliability Analysis

This study used the Cronbach's alpha test to look at the model variables' internal consistency. Cooper, Schindler, and Sun (2006) emphasized that in order to determine the degree to which the structures may support high dependability, internal consistency

testing must be performed. According to Tavakol and Dennick (2011), the model structures must have a minimum value of 0.70 in order to produce the appropriate internal consistency, which can support high dependability.

Table 4

Reliability statistics

Variables	Cronbach's alpha	Decision
Overconfidence	0.869	Highly reliable
Availability	0.759	Highly reliable
Anchoring	0.736	Highly reliable
Risk Aversion	0.845	Highly reliable
Self-control	0.913	Totally reliable

(Source: Field survey 2024 and SPSS-23)

According to the established results, every variable has strong internal consistency since every alpha value is above 0.70. Stated differently, the management accounting variables exhibit a high degree of reliability when employed to elucidate their respective roles in the investment decision process.

4.1.3 Descriptive Statistics

Table 5

Descriptive statistics

Variable	Min	Max	Mean	Std. Dev
Overconfidence	4.20	5.00	4.872	0.137
Availability	4.10	5.00	3.589	0.164
Anchoring	3.90	5.00	4.254	0.147
Risk Aversion	4.30	5.00	3.761	0.180
Self-control	4.40	5.00	4.92	0.215

Table 5 shows the descriptive statistics derived from 400 distinct investor observations. The dependent variables, Investment decision, and the independent factors, overconfidence, availability, anchoring, risk aversion and self-control are calculated here along with their mean, and standard deviation. The computation of the mean, and standard deviation is dependent on the questionnaire response from the respondent. The

respondent's mean, and standard deviation in this case are 4.749 and 0.160, respectively, regarding their collecting information. The respondent's mean, and standard deviation in terms of quality management accounting reports are 3.692 and 0.179 respectively. The respondent's processing information are as follows: 4.81 and 0.180 for the mean, and standard deviation, respectively. The respondent's mean, and standard deviation of communicating information are, respectively, 3.576 and 0.463. The present state of collecting information and processing information, as indicated by the table, demonstrates that respondent responses are as consistent as good as possible due to the extremely low research standard deviation, which also indicates extremely low data variance.

4.1.4 Correlation Analysis

Table 6

Correlation Analysis

Variables	OC	AV	AH	RA	SC	ID
OC	1					
AV	0.445*	1				
AH	0.375*	0.323*	1			
RA	0.454*	0.238*	0.540*	1		
SC	0.446*	0.218*	0.429*	0.238*	1	
ID	0.401*	0.462*	0.465*	0.437*	0.474*	1

(Source: Field Survey 2024 and SPSS-23), *significant at 5% level of significant

Investment Decision (ID), Overconfidence (OC), Availability (AV), Anchoring (AH), Risk Aversion (RA) and Self-control (SC)

Table 6 show the correlations between various factors. Here, 400 investors are surveyed, and the correlation between the independent and dependent variables is determined. The investment choice is the dependent variable, and the independent factors overconfidence, availability, anchoring, risk aversion and self-control. The research's relevance to the second objective is related. By calculating the correlation between the variables, the goals are to be met. A questionnaire is used to get primary data from 400 share market investors in the Kathmandu Valley, who are referred to as research respondents, in order to calculate the correlation.

It is also noteworthy that there is a favorable correlation between Overconfidence and investment decisions. Because the significant value is 0.000, which is less than 0.05, the one percent level of significance the correlation value is positive 0.401 and is substantially associated.

It is also noteworthy that there is a favorable correlation between Availability and Investment decisions. Since the significant value is 0.000, which is less than 0.05 the so-called five percent level of significance the correlation value is positive 0.462 and is substantially correlated.

It is also noteworthy that there is a favorable correlation between quality of management accounting reports and decisions making. Since the significant value is 0.000, which is less than 0.05—the so-called one percent level of significance the correlation value is positive 0.465 and is substantially correlated.

It is also noteworthy that there is a favorable correlation between communicating information and decisions making. Since the significant value is 0.000, which is less than 0.05—the so-called one percent level of significance the correlation value is positive 0.437 and is substantially correlated.

4.1.4 Multiple Regression Analysis

Predicting changes in the dependent variable from changes in the independent variables is the main goal of multiple regression analysis. This technique aids in assessing the predictive power of the multiple regressions. Furthermore, the percentage of variation in the dependent variables that the regression equation can account for can be viewed as the multiple regression determination.

Table 7*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.6588	0.434	0.415	0.019

Table 7 shows the 400 observations from various groups of people summarized by the model. $R = 0.6588$ indicates that there is moderately association between psychological factors with investment decision. The value $R^2 = 0.434$ indicates that there is 43.4% psychological variables explained the investment decision. The goodness of fit in this case is indicated by the R square of 0.434. The predictor variables, which include Overconfidence, Availability, Anchoring, Risk Aversion and Self-control, are the cumulative variances to the investment decision.

Table 8*ANOVA*

Model		Sum of square	df	Mean square	f	Sig.
1	Regression	2.402	3	0.801	1.889	0.002
	Residual	252.523	596	0.424		
	Total		599			

(Source: Field Survey 2024 and SPSS-23)

It is noticed from the ANOVA results that there is no significant relation between investors' trading experience in stock and their risk attitudes ($F = 1.889$, $p > 0.05$). It can be interpreted here that the experience of investors does not make any significant difference in their risk attitudes.

Table 9*Coefficient of Variable*

Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.458	0.004		2.162	0.000
	Overconfidence	0.786	0.007	0.038	3.280	0.001
	Availability	0.489	0.007	0.036	3.144	0.002
	Anchoring	0.678	0.005	0.026	2.451	0.014
	Risk Aversion	0.245	0.006	0.036	3.356	0.001
	Self-control	0.789	0.006	0.030	2.855	0.004

a. Dependent variable: Investment Decision

(Source: Field survey 2024 and SPSS-23)

Table 9 shows the investor coefficient. The ID regression model serves as the foundation for the coefficient table. coefficients of 400 observations are shown below. Investment decisions are dependent variables, while overconfidence, availability, anchoring, risk aversion and self-control are independent variables. The accuracy and significance level of each variable's change with respect to the dependent variable are displayed in this coefficient table.

The beta of Overconfidence is 0.786. Here, the beta indicated that for every 1% change in financial literacy, investors' share market investment decisions would be positively impacted by 0.786 percent. With a determined accuracy of 0.007, the answer is quite accurate despite the low accuracy of the calculation. Given that the coefficient's significant value is 0.00, or less than 0.05, the influence of Overconfidence on investment decision is substantial.

The beta of the Availability is 0.489. Here, the beta indicated that a 1% change in financial behaviors would result in a 0.489 percent positive change in investors' share market investment decisions. The computed value's accuracy is 0.007, which is low and indicates that the result's accuracy is high. The coefficient's significant value is 0.002, which is less than 0.05, indicating that there is little evidence linking financial behaviors to investing decisions.

The beta value for the Anchoring is 0.678. Here, the beta indicated that for every 1% increase in Anchoring, investors' share market investment decisions would favorably shift by 0.678 percent. The computed value's accuracy is 0.005, which is low and indicates that the determined outcome is highly accurate. The impact of financial skill on the investment decision is substantial, as indicated by the coefficient's significant value of 0.014, which is less than 0.05.

The beta value of the Risk Aversion is 0.245. According to this beta, for every 1% increase in financial literacy, investors' share market investment decisions would favorably vary by 0.245 percent. The computed value's accuracy is 0.006, which is low and indicates that the estimated result is highly accurate. The Risk Aversion has a substantial impact on the investment decision since the significant value of the coefficient is 0.00, which is less than 0.05.

The beta value of the Self-control is 0.789. Here, the beta indicated that for every 1% change in financial literacy, investors' share market investment decisions would be positively impacted by 0.789 percent. The computed value has a low accuracy of 0.006, indicating a high accuracy of the result. The impact of Self-control on the investment decision is substantial, as indicated by the significant value of the coefficient, which is 0.001, which is less than 0.05

4.2 Discussion

Policymakers, financial experts, and investors should take note of the findings. Regarding Investors: Investor education must acknowledge the impact of psychological variables on investment decisions. The possible consequences of making rash financial decisions due to herd mentality, overconfidence, and cognitive biases like representativeness and anchoring should be highlighted through educational programs. Educated investors are more capable of making wise investing decisions. Investors might use these results to reevaluate how they make investments. A greater understanding of the impact of psychological elements can enable investors to assess their choices thoughtfully and possibly lessen impulsive actions motivated by cognitive biases. Financial advisors: have the ability to incorporate behavioral insights into investment plans. For example, solutions that encourage a disciplined and diversified approach to investing could be developed to

counteract the negative impacts of herding and overconfidence. Advisors who are helping investors make more logical judgements can benefit from having a better understanding of representativeness and anchoring. Authorities in charge of regulations may consider how psychological biases affect the stability of the market. One way to counteract these biases would be to make sure investors are aware of their possible influence on investing decisions and to put in place disclosure rules.

This study applies the Behavioral Finance Theory to an investment analysis. According to this idea, irrational rather than rational variables predominately influence investors' behavior while making investing decisions. The term "irrational factor" in psychology refers to biased psychology, which is frequently observed in investors' herding behavior in developing markets like Indonesia. According to the research, when investors in Indonesia receive positive social influence and learn about an increase in BVPS, they are more likely to choose herding behavior when making investment decisions than when they receive negative social influence and learn about a decrease in BVPS.

This study also reveals that investing decisions are significantly impacted by overconfidence bias. It is quite likely that the majority of responders are college students, who often exhibit greater levels of passion and drive to enter the world of investments. But being motivated and enthusiastic by oneself isn't enough to be a successful investor. Their current level of investment knowledge is inadequate; thus, they need to expand their knowledge and acquire new investing abilities. When compared to other investing options like bonds or mutual funds, stocks are the riskiest long-term investment. Young investors should be aware of this since they are particularly susceptible to the overconfidence bias. This observational result aligns based on the buying price as the reference price, the first hypothesis' conclusion implies that investors tend to sell their equities. When the selling price of the shares is higher than the purchase price, the investors act quickly to sell them. In addition to the purchase price, the reference price is also the maximum price attained during a specific time frame. In addition, investors tend to exaggerate their own judgements and level of competence when making stock purchases based on historical stock performance.

The impact of the demographics of investor investors marriage status, age, education, occupation, and income level on psychological biases is examined in this study. The disparity in experience, maturity, responsibility, etc., is the cause of this. The one-way ANOVA test is utilized in this study to investigate the influence of investor's age group on their psychological bias degree. It is considered that their psychological worth is the dependent variable and that demographic factors are the independent variable. Then, a one-way ANOVA test is used to evaluate the hypotheses.

Correlation analysis showed that ID has low degree of positive correlation with OC i.e. 0.401, which is statistically significant at 5 percent level of significance. Meaning that ID of the investor with the increase as OC for the investor. This result is consistent with the result of Rahman and Gan (2020) who also found a positive relationship between ID and OC concluding psychological biases.

Likewise, there is low degree of positive correlation (i.e., 0.462) between ID and AV. Since AV for the Investor improves along with ID for the investor, this is statistically significant at 5 percent level of significance. This outcome is comparable to that of Abideen et al. (2023), who discovered that ID and AV have positive relationship concluding psychological biases.

There is low degree of positive correlation between ID and AH i.e. 0.465 and the relation is significant at the 5 percent level of significance. Meaning that the investor ID increases as the AH increases. The result is similar to the finding of Garber and Simon (2024), who pointed out, there is positive relation between ID and AH in their study.

There is low degree of positive correlation between ID and RA i.e. 0.437 and the relation is significant at the 5 percent level of significance, meaning that the investor ID increases as the RA increases. The result is similar to finding of Ogunlusi and Obademi (2021).

There is low degree of positive correlation between ID and SC i.e. 0.474 and the relation is significant at the 5 percent level of significance. Meaning that the investor ID increases as the SC increases. The result is similar to the finding of Sachdeva and Lehal (2023), who pointed out, there is positive relation between ID and SC in their study.

CHAPTER-V

SUMMARY AND CONCLUSION

The three main parts of this chapter are the inference, the conclusion, and the summary. The summary offers a thorough synopsis of the complete research process, covering all phases of the study from start to finish. This section includes the thesis summary as well as the conclusion. Furthermore, the ramifications of the findings from the thesis research are examined.

5.1 Summary

It describes the whole methodology and rationale for carrying out this study. It provides an overview of the topic, discusses a few earlier studies in the field, and explains the significance and origins of the current investigation. It also discusses the limitations of the study and its applicability and scope.

The objectives in detail, with the exception of the first goal, which was examined and explained in the chapter before. This chapter begins with a discussion of all the variables' validity, reliability, and preliminary data screening. Subsequently, the conceptual model is statistically tested using structural equation modelling with SPSS-23. In general, this chapter outlines the examination of creating and putting to the test the structural model that was developed through demonstrating the connection between the overconfident, availability, anchoring, risk aversion and self-control and the way one makes investment decision.

Overall, outcomes show that psychological elements have a significant and substantial impact on a number of different facets of investment decision. So much so that five separate clusters with investment decision were formed by the researcher's cluster analysis of the whole set of data utilizing the five dependent variables and psychological factors. Gender seems to have the biggest impact on all facets of investment behavior among demographic characteristics. Other demographic factors have a less noticeable impact. This study also discusses the validation of the findings from earlier studies conducted in similar fields, such as the influence of gender and psychological factors on

risk-taking behavior, the predictive power of the big five personality model, and the impact of psychological factors on investment decisions.

5.2 Conclusion

This study looks into the psychological aspects that affect people's choices about investments. This study uses five psychological elements overconfident, availability, anchoring, risk aversion and self-control based on behavioral finance theory to investigate if those aspects have an impact on investing decision-making. The quantitative data for this study is obtained using the questionnaire. The empirical findings show that validity, reliability, and data-model fit are all excellent, suggesting that the proposed model is appropriate. Therefore, overconfident, availability, anchoring, risk aversion and self-control can be used to measure one second order aspect of investment decision-making. Consequently, it is possible to provide a sentiment model for making investing decisions.

A risky decision-making behavior model has been designed to analyze the impact of several psychological elements on investors' investing decisions and to know their unreasonable behavior. One of the major effects of the uncertainties present in the decision-making process is risk aversion. This study focuses on how investors' behavior during decision-making is influenced by psychological variables and their perception of risk. Participants who are dealing with the most important challenges in making investment decisions were chosen for the study hypothesis analysis. The results of this study shed light on how psychological variables affect investors' decision-making processes within the framework of Nepalese culture.

It shows the positive correlation between overconfident, availability, anchoring, risk aversion and self-control with investment decision. Here, 400 investors are surveyed, and the correlation between the independent and dependent variables is determined. According to ANOVA results, there is no significant relation between investors' trading experience in stock and their risk attitudes. It can be interpreted here that the experience of investors does not make any significant difference in their risk attitudes. The ID regression model serves as the foundation for the coefficient table. The accuracy and significance level of each variable's change with respect to the dependent variable as displayed in the coefficient table.

5.3 Implications

Initiatives can be developed to increase investor confidence and market stability in Nepal by addressing psychological concerns. This could entail holding public events or implementing educational initiatives to cultivate a solid and knowledgeable investment base. By locating and resolving the causes of market inefficiencies and irrational behavior unique to the Nepalese market, an understanding of psychological aspects can contribute to increased market efficiency. The thesis can draw attention to particular psychological biases that are common among Nepalese investors and recommend additional study to fully investigate these biases. It can also pave the way for research that compare the stock market in Nepal with other developing or established markets, offering deeper perspectives on the influence of psychological aspects on investment decision.

Financial counsellors and investors in Nepal can create plans that take into consideration psychological prejudices unique to the region. For example, efforts could involve ways to reduce this bias and encourage more balanced decision-making if overconfidence is common. By addressing issues like fear of loss or skepticism about market volatility, interventions to boost retail investor involvement can be more effectively designed with an understanding of psychological barriers.

Regulations designed to safeguard investors can benefit from insights into psychological aspects. Regulators should put policies in place to guarantee market justice and transparency, lessening the influence of psychological elements that cause illogical trading practices or market inefficiencies. The findings can help design training initiatives that improve Nepalese investors' financial literacy by identifying and reducing psychological biases like risk aversion and overconfidence. The findings may be included into Nepalese educational institutions' finance and business curricula, highlighting the significance of psychological elements in investing decisions.

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APPENDICES

Questionnaire

Dear Respondent,

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

Thank you for your cooperation.

Sujan Ghimire

MBS Student

Shanker Dev Campus, Kathmandu

Part I: BIO DATA

1. Age (Put in to the bracket 1 between 20-35, 2 for 36-50, 3 for 51-60 and 4 for above 60)
 - between 20-30 ()
 - 36-50 ()
 - 51-60 ()
 - above 60 ()

2. Education (Put in to the bracket 1 for Graduation , 2 for Post Graduate and 3 for Professional)
 - Graduation ()
 - Post Graduate ()
 - Professional ()

3. Marital status (Put in to the bracket 1 for married and 2 for Single)
 - Married ()
 - Single ()
4. Mention your income level? (Put in to the bracket 1 monthly up to 15000 , 2 for 15000-20000 in a month, 3 for 20000-25000 a month and 4 for monthly earning more than 25,000)
 - monthly up to 15000 ()
 - 15000-20000 in a month ()
 - 20000-25000 a month ()
 - monthly earning more than 25000 ()
5. Mention your Occupation. (Put in to the bracket 1 for Public Sectors employee , 2 for Private Sector employee, 3 for Self-employed professional and 4 for Business investor)
 - Public Sectors employee ()
 - Private Sector employee ()
 - Self-employed professional ()
 - Business investor ()

Part II

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

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

A) Investment decision

Questions	1	2	3	4	5
When making an investment, I trust my inner feelings and reactions.					
I generally make investments that feel right tome.					
When making investments, I rely upon myinstincts.					
When I make an investment, it is more importantfor me to feel the investment is right than have a rational reason for it.					

When I make Investment, I tend to rely on my intuition.					
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B) Overconfident

Questions	1	2	3	4	5
I am an experienced investor.					
I feel that on average my investments perform better than the stock market.					
Profit booking on the stock market involves having sound overconfident.					
When I purchase a winning investment, I feel that my actions and knowledge affected the result.					

C) Availability

Questions	1	2	3	4	5
I prefer to buy local stocks than trade international stocks.					
I prefer to buy stocks on the days when NEPSE Index increases.					
I prefer to sell stocks on the days when NEPSE Index decreases.					
Investment decisions were influenced by Availability.					
You consider good Availability to be a trait of successful investors.					

D) Anchoring

Questions	1	2	3	4	5
My trading is affected by recent experiences in the market.					
I use the purchase price of stocks as a reference point in trading.					
I am unlikely to buy a stock that was more expensive last year.					
When I decide to sell a stock, I keep its purchase price in mind.					
In a falling market, I hold a losing stock until its price returns					

to its purchase level.					
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E) Risk Aversion

Questions	1	2	3	4	5
I avoid selling shares that have decreased in value.					
I sell shares that have increased in value faster.					
I prefer to invest only those stock who having low risks.					
I don 't buys the share that increase in value.					

F) Self-control

Questions	1	2	3	4	5
I would follow the market information to trade.					
I would not buy the stock having higher risk.					
I would not over spent on investment.					
I would invest the stock based on my economic capability.					

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

EFFECTS OF PSYCHOLOGICAL FACTORS ON INVESTMENT ...

By: Sujan Ghimire

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