

EFFECT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS IN KATHMANDU VALLEY

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

by

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CERTIFICATION OF AUTHORSHIP

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

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

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned, have examined the dissertation entitled “**Effect of Financial Literacy on Investment Decisions in Kathmandu Valley**” presented by Susmita Thapa Chhetri, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Susmita Thapa Chhetri

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ABBREVIATIONS

%	:	Percentage
&	:	And
e.g.	:	Example
FA	:	Financial Attitude
FB	:	Financial Behaviour
FK	:	Financial Knowledge
FS	:	Financial Skills
i.e.	:	That is
IBM	:	International Business Machine Corporation
ID	:	Investment Decision
MS. DO	:	Microsoft Disk Operating System
No.	:	Number
Res	:	Respondents
SEM	:	Structural Equation Modeling
SPSS	:	Statistical Package for Social Sciences
T.U.	:	Tribhuvan University
WHO	:	World Health Organization
www	:	World Wide Web

ABSTRACT

This study examines the effect of financial literacy on investment decisions: a case of Kathmandu valley. The study has used descriptive and casual comparative research design. The sampling technique for the study followed convenience sampling. Data have analyzed by using different statistical technique such as descriptive statistic, correlation analysis and regression analysis. This study found that investors agreed that financial knowledge and financial skill highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant position association between financial knowledge and investment decision. Similarly, financial attitude has significant positive relationship with investors' investment decision. At the same time, there is significant positive association between financial skill and investment decision. Moreover, financial behavior has significant positive relationship with investment decision. The regression analysis shows that there is significant positive effect of financial knowledge on investment decision. Then, there is also significant positive effect of financial attitude on investment decision. At the meantime, financial skill has significant positive impact on investment decision. Finally, financial behavior has significant positive effect on investment decision. However, financial literacy has significant impact on investors' investment decision in Nepalese stock market.

Keywords: Investment decision, financial knowledge, financial skill, financial attitude and financial behaviour.

CHAPTER – I

INTRODUCTION

1.1 Background of the study

Handini (2024) stated that financial literacy is the result of a person's interest, attitude, and practices that directly improve their own financial efficacy and efficiency as well as the direct and ultimate benefit of society at large. It also symbolizes the culmination of financial access, education, and understanding. Numerous significant banking institutions, governmental bodies, grassroots consumer and community interest groups, and other organizations have taken an interest in financial literacy in recent years. Interest groups and legislators are worried that consumers do not have the resources necessary to make decisions that will lead to their financial well-being and do not have a working understanding of financial concepts. These lack of financial literacy can have an impact on a person's or family's daily money management and capacity to save for long-term objectives like home ownership, pursuing higher education, or funding retirement. Additionally, poor money management can lead to habits that put customers at risk of serious financial catastrophes (Sapiri & Awaluddin, 2023).

Financial literacy refers to make wise financial decisions, people need to have a solid grasp of money and financial commodities. Several countries have established task teams to evaluate their local communities in an attempt to educate and engage their citizens, realizing the importance of financial literacy. The growing significance of making well-informed decisions and the increasing accessibility to financial commodities on a worldwide scale are driving the demand for financial literacy. In summary, achieving the information, skills, aptitude, behavior, attitude, and capacities necessary to support wise financial decisions is the first step toward creating personal financial wellness (Paramita & Henny, 2022).

Financial literacy encompasses not only traditional math and reading skills but also the behaviors, attitudes, and understanding of the financial world. It involves knowledge of money's history, functions, and exchange processes, as well as an awareness of the risks linked to financial products. Additionally, it includes the ability to manage personal finances responsibly (Subedi, 2023).

The goal of investment decisions is to achieve a high return, which involves allocating capital to a specific asset for a set period. The key focus is on deciding how to use money today with the expectation of future benefits. To maximize future consumption, investors must balance their current spending against delayed gratification. Understanding the risks and rewards associated with different financial products is essential. People with low financial literacy are more prone to accumulating debt and having little or no savings. A lack of financial knowledge can hinder one's ability to save effectively for a comfortable retirement, leading to poor financial choices (Marpaung, Setyaningrum & Dasman, 2024).

The world of investment decision is changing these days. Selecting investments is a crucial procedure that is influenced by several variables that may differ for each individual. The type of investment to be made, when and where to make it (in banks, real estate, shares, mutual funds, etc.) and the financial limitations on the decisions made are some examples of these variables. A company is engaged in the how, when, where, and amount of funds given to potential investments when investors and investment managers make decisions about investments. Therefore, a person's degree of financial literacy plays a critical role in assisting them in making wise investment decisions (Balagobei & Prashanthan, 2021).

Developing basic financial literacy is crucial, as poor financial decisions can have lasting consequences (Kumari, 2020). As individuals progress through life, they face key milestones such as opening a savings account, starting a job, purchasing a home or car, and making numerous financial choices. Having a solid understanding of finances can help ease the transition from stress to financial stability. Every financial decision carries some level of risk, and recent advancements in the banking industry have contributed to financial crises in both developed and developing countries. Financially literate individuals are well-informed and empowered, able to assess financial products, make sound decisions, and manage their money effectively in everyday life (Wangi & Baskara, 2021).

Due to their increased understanding of financial matters, people with greater levels of financial literacy are better equipped to evaluate financial information and make wise investment choices. Understanding a fundamental financial instrument and the

intricate process by which an investor chooses a specific financial product based on his long-term financial objectives are both components of financial literacy. As a result, there is ample evidence linking financial literacy to people's financial welfare (Sharma et al., 2017). Financial literacy is the ability to understand how money works in the world, how to handle earning it, how to invest it, and how to utilize it to help others. It provides a set of skills and knowledge that allow one to prudently handle all of their financial resources (Njehia, 2017). Therefore, this study aimed at analyzing the impact of financial literacy on investors' investment decision in Nepalese stock market.

1.2 Problem statement

Although many participants in financial markets consider themselves logical and intelligent, their perceptions and decision-making are often influenced by emotions, cognitive biases, and ingrained thought patterns. Financial literacy refers to the ability to manage financial risks while considering both long-term and short-term interests when making financial choices. It also encompasses the knowledge of money and finance that enables individuals to effectively manage their finances and make informed financial decisions (Iyer & Bhaskar, 2002).

Hamza and Arif (2019) argued when a person is financially savvy, agreeableness, conscientiousness, and extraversion did not significantly influence investing decisions. However, because of neuroticism, financial literacy had a significant positive influence on investment choices and a significant negative impact because of openness to new experiences. Kumari (2020) stated financial literacy had a positive and significant influence on undergraduates' investing decisions. Furthermore, among the several facets of financial literacy, financial aptitude was shown to be the most crucial component. Alaaraj and Bakri (2020) found that having financial education greatly enhanced one's capacity for making investment choices. Similarly, financial literacy had a major impact on making wise financial decisions. This study concluded that financial literacy had a positive and significant impact on investors' decision-making. Balagobei and Prashanthan (2021) found that financial literacy had a positive and significant impact on the investment choices made by individual investors in the Jaffna area.

Walakumbura (2021) showed that financial attitude had less of an impact on investing decisions than financial knowledge and skills. In line with the idea of planned behavior, Paramita and Henny (2022) claim that an investor's behavior, attitudes, and knowledge all influence their investing decisions. Shrestha et al. (2023) showed that financial behavior, financial attitude, financial knowledge, and financial competence significantly influenced investment decisions.

Sumantri et al. (2024) found financial behavior, financial aptitude, and financial awareness all had an impact on investment decisions. More specifically, higher levels of financial literacy are associated with more thoughtful, strategic, and careful investment decisions. Contrary to predictions, Handini (2024) revealed no statistically significant influence of financial literacy on investing decisions. Rana (2024) showed that retail investors' investing decisions are highly influenced by their financial behavior, knowledge, and abilities. Nonetheless, the results also showed that retail investors' investing decisions are unaffected by their financial attitudes. While the aforementioned empirical evidences are relevant to other nations, there are none relevant to Nepal, particularly the Kathmandu Valley, and the current situation. Moreover, this study used financial skills, financial attitude and financial knowledge are the explanatory variables in this study but these factors were not included in a single study. It is intended to fulfill the gap of the context as mentioned above. This study deals with following issues in context of Nepal.

- What is the level of financial literacy factors and investment decision-making of individual investors in Nepalese stock market?
- Is there any the relationship between financial literacy and investors' investment decisions in Nepalese stock market?
- How do financial literacy such as financial knowledge, financial awareness, financial skill, financial attitude and financial behavior impact on investors' investment decisions in Nepalese stock market?

1.3 Objectives of the study

The major objective of this study is to analyze the effect of financial literacy on investors' investment decisions in Nepalese stock market. Hence, to achieve the main objective, the study has formulated following objectives:

- To assess the level of financial literacy factors and investment decisions of individual investors in Nepalese stock market.
- To examine the relationship between financial literacy and investors' investment decisions in Nepalese stock market.
- To analyze the impact of financial literacy such as financial knowledge, financial skill, financial attitude and financial behavior on investors' investment decisions in Nepalese stock market.

1.4 Research hypotheses

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

H₁: There is significant impact of financial knowledge on investors' investment decision in Nepalese stock market.

H₂: There is significant impact of financial skill on investors' investment decision in Nepalese stock market.

H₃: There is significant impact of financial attitude on investors' investment decision in Nepalese stock market.

H₄: There is significant impact of financial behavior on investors' investment decision in Nepalese stock market.

1.5 Rationale of the study

People now understand the significance of financial literacy and how it affects investing decisions better because of the research. Despite the positive association that several studies have found between financial literacy and investment decisions, financial literacy is still a relatively new problem in Nepal and has not received enough attention in the literature. Nonetheless, the results of the study emphasize how critical it is to have a sound grasp of finances and make wise financial decisions. Despite Nepal's low level of financial knowledge, both individuals and families can choose from a range of cutting edge financial solutions. Families and individuals now have the opportunity to invest wisely in a variety of financial products, but decision-making has become increasingly challenging for them. As a result, figuring out how financially literate the populace is and working to educate them adequately will

ensure that people have a good standard of living and help them manage their wealth, both of which will enhance their quality of life.

Research supports the increasing trend of financial literacy by enabling those who are frequently not involved in financial matters—such as students, young adults, and housewives—to perform precise and in-depth research and make wise investment decisions. The majority of people, even those with substantial investing capacity, are unaware of a plethora of possibilities due to their lack of financial literacy. This study will therefore assist individuals in focusing on gaining financial literacy in order to manage their money sensibly and reap significant rewards. The research findings might be useful to banks and other financial organizations that often develop fresh investment strategies. Managers of banks and other financial institutions are able to assess the present level of financial literacy among the populace and then devise a range of strategies to meet the demands of both individuals and families.

1.6 Limitations of the study

This study has some limitations mentioned below.

- This study focus only effect of financial literacy on investment decision in the Nepalese stock market.
- Since the respondents are chosen from close circles including family members, friends, relatives and their circles, generalization for the whole population of investors may not be fulfilled.
- The study has been conducted selected investors inside the Kathmandu valley. Thus, the findings may not be generalizable to the whole investors.
- Furthermore, the results demonstrated in this research maybe not true in other contexts or situations and may not be relevant in the future.
- Although the sample size is relatively high (N=300), a larger sample size would reflect the investor's situations more accurately.
- Only five independent variables i.e. financial knowledge, financial skill, financial attitude and financial behavior have been considered for the entire study.
- This study used only descriptive statistic, correlation analysis and multiple regression analysis.

CHAPTER - II

LITERATURE REVIEW

Reviewing relevant research about the influence of financial literacy on investors' decisions to invest in the Nepalese stock market has been the main emphasis of this chapter. Every research begins with facts and information from the past that serve as the foundation for the current investigation. This chapter is crucial to the investigation as it aids in gathering sufficient feedback, which expands the quantity of information and sources what have available for this study. The research gap, the theoretical review, and the review of the empirical review are the main topics of this chapter.

2.1 Theoretical review

The theories that reviewed in this study are; the classical theory of portfolio, goal setting theory, social learning theory, portfolio theory, prospect theory, decision theory and life cycle hypothesis.

2.1.1 Theories of financial literacy and investment decision

2.1.1.1 The classical theory of portfolio

Markowitz (1952) proposed the concept of classical portfolio theory. According to the idea, there should be no transaction costs in the market, no uninsurable risks, and knowledge asymmetry among investors. According to the notion, those who are not familiar with financial products usually steer clear of them. Return on asset has a stationary normal distribution, according to Markowitz. Furthermore, the hypothesis shows that the primary factor influencing investors' desire for structured financial products is their level of financial literacy. Therefore, before choosing which investment products are right for them, investors benefit greatly from having a solid understanding of finance (Jariwala, 2013).

2.1.1.2 Prospect theory

The key work of Kahneman and Tversky in 1979 supported prospect theory, which focuses on subjective decision-making altering investors' value system when risk-taking behavior and uncertainty were present. Whether comparable occurrences are

presented in the context of profits or losses, people's tendency to undervalue likely outcomes in comparison to extraordinary ones drives individuals to react differently to similar situations. In essence, the theory explains why people exhibit inconsistent risk aversion, taking risks when things go wrong but being cautious when things go right. This explains why individual investors are more likely to halt a loss before earning a profit.

Olsen (1997) stated that the prospect theory "gives weight to the cognitive limitations of human decision makers," which means that rather than the classical decision theory's (the standard finance perspective) explanation of rationality, an individual investor bases their decisions on bounded rationality, the viewpoint supported by behavioural decision theory, or the behavioural finance viewpoint. Ritter (2003) went on to say that because prospect theory concentrates on changes in wealth, it is a descriptive theory under uncertainty. One important finding of prospect theory, according to Kahneman and Tversky (1979), is that the way in which economic agents perceive a transaction or an outcome affects their level of satisfaction with the results.

Prospect theory states that the decision-making process consists of two stages: the first is framing and editing the options based on the decision-maker's previous perceptions, and the second is assessing these prospects in light of the decision-maker's subjective estimate of how likely it is that they will materialize. People prefer to take chances when it comes to losses, which is explained by the utility function, which is concave for gains and shows that people feel good when they win but not twice as good when they gain. The convex utility function for loss indicates that although people experience pain when they lose, twice the loss does not equal twice the misery. An investor is more likely to choose the guaranteed gain when given the option, rather than taking a chance that might increase or decrease the sure gain. Otherwise, the investor will take a chance if given the choice between a definite loss and a walk. Prospect theory assesses the three emotional biases that influence investors' decision-making processes: regret aversion, mental accounting, and loss aversion (Kengatharan, 2014).

2.1.1.3 Goal setting theory

Locke (1968) set out the goal-setting theory of motivation. The idea holds that setting objectives is an essential step in assessing how well a task is performed. The idea also holds that setting objectives need to be directly tied to finishing the current work. It ensures that everyone in a group working toward a common goal knows exactly what is expected of them in order to reach that objective, which makes it a vital instrument for progress (Locke, 1968). The goal setting theory is the most reliable and practical explanation of motivation in the fields of financial behavior as well as industrial and organizational psychology, human resource management, and organizational behavior. The goals must meet the requirements of SMART goals, which stand for Smart, Measurable, Achievable, Realistic, Time-bound goals, in the context of personal finance, financial planning, and investment decisions.

2.1.1.4 Social learning theory

This notion dates back to Bandura (1960), who maintained that direct teaching or observation are the only ways in which learning may occur. The hypothesis was created to supplement stimulus response theories, which provided an explanation for why and how people reacted to particular characteristics. According to Bandura, there were flaws in the learning process models that showed how social learning elements were disregarded in relation to specific reactions on particular human characteristics. Furthermore, Rotter's theory stated that behavioral modifications were linked to subjective expectations and needed reinforcement to become learned. The hypothesis makes sense for the research since formal or informal learning processes account for the majority of investment decisions. SACCOs can use their advertising platforms to raise members' financial literacy, which will ultimately affect their decision to invest.

2.1.1.5 Decision theory

Warner invented decision theory in 1968. It clarifies what people do. The theory is divided into descriptive and prescriptive categories. According to the prescriptive form, people should choose behaviors that would maximize their predicted utility. According to the descriptive form, people don't choose their activities based on what would maximize their predicted benefit. Many parties pursue a wide range of goals while making investment decisions. Those who seek to maximize return and those

who desire financial independence and freedom are examples of these players (Virlics, 2013).

2.1.1.6 Portfolio theory

As Tobin's Portfolio Approach to Demand for Money explains, bonds and money are part of the asset portfolio. The idea emphasizes the role that money plays as a store of value. According to him, a person's financial holdings make up a portion of their asset portfolio. This is due to the fact that money has different risk and return characteristics than other less liquid assets like bonds. To put it another way, money offers a guaranteed return even while the values of stocks and bonds are prone to changes. According to Tobin, a household's optimal portfolio should include cash holdings. This person makes a reasonable presumption that individuals would rather have more wealth than less. As to his statement, an investor is confronted with a dilemma concerning the percentage of his financial assets that he or she need to retain as cash and bonds bearing interest. By keeping a balanced mix of risky and secure assets in their portfolio, investors always seek to diversify their holdings (Jariwala, 2013).

Additionally, investors show signs of risk aversion, which indicates that for a given rate of return, they would rather take on less risk than more. The future rate of interest is unknown to the individuals. A wealth holder will get a high rate of return but will also be taking on a greater level of risk if he choose to maintain a larger percentage of bonds in his portfolio. Due to its extreme risk, investors will not choose this type of portfolio.

2.1.1.7 Life cycle hypothesis

Ando and Modigliani (1963) created the savings life cycle concept. This idea states that young investors prefer to take out loans to pay for their consumption while they are still in school and developing their abilities. In their middle years, they store money for the future and pay off the obligations they incurred in their early years. They are anticipated to deplete their collected assets during the retirement phase. The components of a given investment portfolio are chosen in part by the investor's stage

of life, which also necessitates a strategic emphasis for disciplined financial planning (Jariwala, 2013).

Furthermore, demographic variables are crucial in forecasting the anticipated lifetime financial obligations that a person will encounter, such as funding retirement, marriage, and the schooling of their children. Every stage of the human life cycle has a distinct financial goal that must be achieved, and this in turn influences choices about investing, saving, and financing.

2.1.2 Concept of financial literacy

OECD (2011) explained financial literacy is as the awareness, knowledge, skill, attitude, and conduct required to make wise financial decisions and eventually reach personal financial well-being. While behavioral finance focuses on how people act and should act with money and income, financial literacy is a component of behavioral finance. According to the OECD (2011), there are five components to financial literacy: knowledge, skills, attitude, behavior, and well-being. People who are financially literate may have greater financial awareness, knowledge, and confidence, which will enable them to choose more suitable and superior financial services from a crowded market.

Financial literacy is the ability to locate, understand, and evaluate the information needed to make decisions while taking possible financial consequences into account. As stated by Beal and Delpachitra (2003), "the financially literate should possess a facilitating attitude to effective and responsible management of financial affairs, in addition to having a working knowledge of financial institutions, systems, and services, and the ability to understand the key concepts in money management."

Hung et al. (2009) stated that financial literacy is the capacity to handle financial resources wisely for a lifetime of financial well-being. It also includes having a fundamental understanding of economic and financial principles. A person's ability and confidence to manage their personal finances through sound, long-term financial planning and appropriate, short-term decision-making while taking life events and shifting economic conditions into account is measured by their level of financial literacy.

People with financial literacy are better able to process financial data and make informed financial decisions because they have a greater understanding of financial issues. The degree of financial literacy is positively correlated with people's well-being (Sharma & Joshi, 2015).

Financial literacy is the degree to which an individual feels confident in their capacity to make prudent short- and long-term investment decisions while taking the state of the economy into consideration, as well as their comprehension of important financial concepts. Therefore, a person's degree of financial literacy has a big impact on their ability to make smart investment decisions. Financial literacy is the ability to manage one's own finances and use that information to make wise decisions that will enhance one's financial well-being and prevent financial hardship. In the modern world, being able to manage one's own finances has become increasingly important. Financial literacy encompasses more than just financial advice and information. It is intended for people who don't have the tools or knowledge needed to handle challenging financial situations (Nye et al., 2013).

2.1.3 Definition of investment decision

An investment is a medium- to long-term resource allocation with the goal of recovering investment expenses and turning a healthy return. Expected returns on investments are unclear due to the effect of the economic and financial environments. Individuals make the investment selections following a thorough examination of the investment proposals. One of the most important aspects of investing is the risk involved. Because there is no guarantee that the initial investment in investment projects will be recovered, there is risk (Virlics, 2013).

Investment planning, which include developing a range of investment strategies, is one of the essential elements of personal financial planning. These should include developing a rigorous investment plan and an asset allocation strategy (Ayieko, 2004).

An investor's assessment of potential future profits, past profit margins, financing costs, and other factors all play a role in their decision to invest. A logical investor would pursue a venture that yields greater returns than the financing expenses (Virlics, 2013).

Everyone wants to invest their hard-earned money in the safest and most liquid options. Every person makes a different investment decision, though, based on their tolerance for risk and the intended use of the money. An individual's investment strategy is determined by their goals. Because making the wrong choice can result in financial loss, an investor must comprehend the opportunities that may present themselves. Decisions of this nature should therefore be taken after doing a thorough analysis rather than based solely on intuition.

2.1.4 Importance of financial literacy

The level of financial well-being of an investor is associated with their level of financial knowledge. Financial literacy is the process of understanding various financial products, appreciating the easily available professional knowledge, utilizing the information to make informed decisions, and appreciating the risk-return trade-off (Jariwala, 2013).

Lack of financial literacy may lead to a lack of essential financial knowledge and challenges implementing that information, which can result in bad financial decisions and poor personal financial management. A person who lacks financial literacy chooses to exclude themselves from the financial world or prefers to get their financial knowledge from dubious sources, which can put households in debt and degrade their level of life. Lack of these abilities and knowledge might put people, society, and the economy at large at danger in a number of ways. Because it influences and skews people's investing behavior, financial literacy is therefore a critical issue for the financial systems of all nations.

Through a variety of distribution channels, an increasing number of consumers can access the wide range of financial products and services offered by the different suppliers. Furthermore, fresh financial goods and services that are suited to the needs of the market have been introduced by the deregulation and liberalization of the financial markets, cost savings achieved through financial engineering, and advancements in information and telecommunication. The financial services and product improvements gave customers more options for where to park their funds and increased access to a wider range of financial goods and services. In addition to the

options, customers face several obstacles in their quest to comprehend the costs and advantages of the innovations as well as the unique risk-return matrix that is built into each one. The complexity of investment products in the financial markets has grown recently, which has greatly elevated the significance of financial literacy (Amoah, 2016).

Due to the information asymmetry between investors and the markets, making informed judgments is becoming more and more difficult. Financial literacy not only ensures that people understand financial concepts, but it also helps to advance financial literacy and, ultimately, financial stability (Jariwala, 2013). Making financial decisions has become more challenging for the average person due to the growing complexity of financial products and services. The fundamental issue lies in investors' incapacity to comprehend fundamental financial ideas. The average person finds it difficult to understand the complex features of financial products and services, which increases perceived risk, necessitates searching through more information to compare various factors, complicates decision-making, and causes a delay in making an investment decision (Jariwala, 2013).

Individual accountability has also grown as a result of the altered family structure. People in nuclear families have to make a lot of financial decisions on what to spend, save, invest, credit, etc. Additionally, parents must budget and make sufficient investments for their children's education due to the growing expense of school (Amoah, 2016).

According to a Hogarth (2002) study, financial literacy is essential because informed and educated consumers make better financial decisions that enable them to have financial stability and well-being for themselves as well as to further support local economic development. The current quality of financial education needs to drastically change in order to empower individuals to make autonomous decisions about their retirement and current savings. Furthermore, there is a greater interest in financial education as a result of the growing complexity of financial products and people's growing responsibility for their own financial security.

2.1.5 Challenges of financial literacy

Comparatively speaking to males, women show less financial understanding and confidence in their abilities and long-term investing strategy. Gender disparity arises from women's lack of long-term planning and financial understanding, even though they seem to handle their money more wisely than men do in the short term. In addition, women are less inclined to invest in riskier assets like equities and mutual funds and are generally more risk averse (Mitchell & Abusheva, 2016).

Furthermore, students are not adequately prepared by the university and school curricula to acquire the knowledge and skill set needed to make informed financial decisions. This indicates that the important lesson that would impact pupils' entire life is not imparted to them (Jariwala, 2013). Therefore, another issue with financial literacy in poor nations like Nepal is the inadequate amount of financial knowledge that is imparted through personal finance.

2.2 Empirical review

Arianti (2018) examined the influence of financial literacy, financial behavior and income on investment decision. The primary objective of the research was to examine and quantify the impact of income, financial behavior, and financial literacy on investment decisions. The research methodology employed is the descriptive approach of quantitative research. Primary data, or information gathered and analyzed by the researcher directly from the item, is the type and source of data that are used. In order to create a sample of 100 students for this study, data were gathered via questionnaires. In this study, data analysis procedures such as descriptive statistical analysis, data quality test, multiple linear regression test, classical assumption test, F test, t test, and coefficient of determination were used with the software application SPSS version 22. The results of the study found that financial behavior and income influenced investment decisions significantly, but financial literacy had no appreciable effect on such decisions.

Hamza and Arif (2019) examined the impact of financial literacy on investment decisions: the mediating effect of big-five personality traits model. The primary goal of the research was to investigate how personality factors based on the big-five model

mediate the relationship between financial literacy and investing decisions. The convenience sample approach was used to get 235 responses from Karachi. The Smart-PLS software was utilized in conjunction with correlation and multiple regression analysis in this study to analyze the data. The findings found that agreeableness, conscientiousness, and extraversion did not significantly influence investment decisions in relation to financial literacy. On the other hand, due to neuroticism, financial literacy had a strong favorable impact on investment decisions and a significant negative impact due to openness to experience. By examining the mediating influence of big five personality traits on the relationship between financial literacy and investing decisions, the study advances our knowledge of investor behavior.

Viantara et al. (2019) analyzed effect of financial literacy on investment decision: Study case on students of faculty of economy and business at Sam Ratulangi university. The main objective of the study was to identify the financial literacy dimensions that have the greatest influence on students' investment decisions by analyzing the impact of financial literacy on economy and business students at Sam Ratulangi University. Financial literacy is measured through general personal finance knowledge, saving and borrowing, insurance, and investment. This study employs a quantitative method and causal type. The pupils who have ever invested make up the study's population. This study used a sample of 100 respondents and collected data via questionnaires. Multiple regression analysis was used for data analysis. The results of this study found that borrowing, saving, and basic personal finance knowledge. Students' decisions about their investments are concurrently greatly influenced by insurance and investments. Only one investing variable had a partial impact on students' investment decisions. According to the advice, students should strengthen these elements because financial literacy is crucial for supporting investment activities.

He and Gusaptono (2020) assessed the impact of financial literacy on investment decisions between saving and credit: studies on Sharia bank customers in the special region of Yogyakarta. The main objective of the study was to examine how financial literacy affected the investment choices made by Sharia Bank clients. The sample approach used for Sharia Bank customers in Yogyakarta, Indonesia's Special Region,

is random sampling. Data analysis using multiple regression. The study found that financial knowledge had a beneficial effect on investing decisions. Financial behavior also had a favorable effect on investment selections. Then, financial literacy had a favorable effect on investment choices. In the end, financial attitudes had a favorable influence on investment decisions.

Kumari (2020) investigated the impact of financial literacy on investment decisions: with special reference to undergraduates in western province, Sri Lanka. The main objective of the study was to examine at how financial literacy affected students' decisions about investments in the western area of Sri Lanka. 200 students from four government universities in the western district of Sri Lanka participated in this study. This study evaluated students' financial literacy based on a number of factors, such as their knowledge of financial products, their accessibility to financial goods, their capacity for managing their money, their comprehension of financial investment alternatives, and their financial skills. Finding out how a student's degree of financial literacy influences their financial attitudes, decisions, and actions was the aim of the research. PLS-SEM, or partial least squares structural equation model, was the main method used for data analysis. The findings found that financial literacy had a positive and significant effect on undergraduates' investing decisions. Furthermore, among the several facets of financial literacy, financial aptitude was shown to be the most crucial component. The least significant element impacting undergraduates' investing choices is their familiarity with financial instruments.

Alaaraj and Bakri (2020) investigated the effect of financial literacy on investment decision making in southern Lebanon. This study investigated the impact of financial literacy on investment decisions made by South Lebanon investors. While investors' decision-making is defined as their activities and how they watch, predict, examine, and assess the stages and transaction for decision making, financial literacy is defined as knowledge and awareness. Convenience sampling was used to gather 150 self-administered surveys as part of a quantitative strategy to meet the study's goal. The data was examined using SPSS. Descriptive statistics, multi-regression analysis, and Pearson correlation are used to assess the proposed hypotheses. This study found that financial literacy positively impacted investment decision-making. Similarly, financial literacy had a major impact on making wise financial decisions. This study

concluded that financial literacy had a positive and significant impact on investors' decision-making.

Balagobei and Prashanthan (2021) examined the impact of financial literacy on investment decisions: evidence from individual investors in Jaffna district. The aim of this study was to determine the impact of financial literacy on the investment decisions made by individual investors in the Jaffna region. This study also looks at the relationship between individual investors' financial behavior, attitude, and knowledge and their investment selections. Primary data was collected from the randomly selected sample of two hundred individual investors residing in Jaffna using a standardized questionnaire. The data were analyzed using t-test, ANOVA, regression, and correlation approaches. The findings showed that financial literacy had a major positive influence on individual investors' investment decisions in the Jaffna area. The results suggested that in order to support individual investors in making well-informed investment decisions, there was a need for efficient financial literacy programs that concentrate particularly on improving financial knowledge, behavior, and attitude.

Wangi and Baskara (2021) analyzed the effect of financial attitude, financial behavior, financial knowledge, and socio demographic factors on individual investment decision behavior. The aim of this research was to ascertain how individual investment decision behavior is influenced by financial behavior, financial attitude, financial knowledge, and sociodemographic characteristics. The BNI Sekuritas Denpasar City is where this study was carried out. The participants in this study were all Denpasar City residents who use BNI Sekuritas to make stock market investments. Purposive sampling, a nonprobability 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 showed financial behavior, attitude, and knowledge as well as socio demographic characteristics positively impacted each person's investment decision-making process. The general population needs to understand the significance of financial conduct, attitude, and expertise in managing finances since these elements were crucial in choosing an investment that will pay off in the long run.

Walakumbura (2021) assessed the effect of financial literacy on personal investment decisions amongst medical practitioners in Sri Lanka. The primary aim of the research was to examine the impact of financial literacy on the personal investment decisions made by medical professionals. Financial knowledge, financial aptitude, and financial attitude have been regarded as proxies for the independent variable, whereas personal investment decisions have been deemed the dependent variable. 205 people nationwide provided primary data for the deductive approach. Multiple linear regression is one type of descriptive and inferential statistics that were employed in the study. The results showed that while financial attitude had no effect on these judgments, financial knowledge and abilities had significant effects. The empirical findings of this study can be useful to scholars, policy makers, and other interested parties, as well as to anyone who is prepared to make prudent financial decisions.

Suresh (2021) analyzed the impact of financial literacy and behavioural biases on investment decision-making. The main objective of the research was to assess how behavioral biases and financial literacy interact to influence investing decisions. To elicit research variables, a questionnaire was created using the Likert scale approach, and the data gathered was examined using the SEM technique. The findings demonstrated a strong positive correlation between heuristic bias and the development of behavioral bias in decision-making. Nonetheless, there is evidence linking the herd mentality, cognitive illusions, and framing effect to the development of behavioral biases. Furthermore, rather of using other irrational methods to make investing decisions, investors frequently employ and adhere to heuristic biases. As a result, individual investors' financial literacy has a big influence on their stock market investing choices.

Safitri and Purnamasari (2021) analyzed the impact of financial literacy, financial behavior, and financial motivation on students' investment decision. The purpose of the current study is to ascertain how students' investment decisions are influenced by their financial behavior, financial motivation, and financial literacy. The population is made up of UPN "Veteran" Yogyakarta academic members studying business and economics. This investigation used a quantitative research design. Purposive sampling was utilized in this study's sample collection process, and multiple linear regressions were the statistical method of choice for data analysis. The research accomplished for

this study's results demonstrated that although financial behavior and financial motive have no impact on students' investing decisions, financial literacy does.

Rahman and Arsyianti (2021) examined Islamic financial literacy and its influence on investment decisions through student financial behavior. The primary aim of the research was to evaluate the degree of Islamic financial literacy among FEM IPB University students and its impact on investment choices by examining financial behavior using descriptive analysis and SEM-PLS techniques. The findings demonstrated that respondents' average degree of Islamic financial knowledge was high. Financial behavior and investment decisions were influenced by Islamic financial literacy. Investment decisions are then directly influenced by financial conduct. Additionally, it acted as a mediator between Islamic financial knowledge and investing decisions. The other finding showed that money had a favorable and significant impact on investing decisions, whereas gender had no effect.

Paramita and Henny (2022) examined the effect of financial literacy on stock investment decisions. The purpose of this study was to investigate and elucidate how investors' financial literacy affects their investment choices. Using non-probability sampling and the snowball sampling technique, 79 respondents were chosen to make up the study's samples. The sampling procedure involved the use of an online questionnaire. The analytical method used in this work is structural equation modeling (SEM), which makes use of the Smart PLS analysis tool. The results showed that financial literacy, as determined by financial attitudes, financial knowledge, and financial behavior, had a positive impact on investment decisions. The findings provided empirical support for the idea of planned behavior by showing how an investor's attitudes, conduct, and knowledge affect their investing decisions. Practical ramifications of the study include the potential to use the results as a basis for a model that helps investors select equities to purchase.

Aryadi (2022) investigated the impact of financial literacy on investment decisions: A study on generation Z in Bandung. The primary aim of the research was to examine the influence of financial literacy on individuals' investment decisions. The participants in this study are members of Generation Z, defined as those who were born between 1997 and 2021 and who, in particular, reside in Bandung, Indonesia,

and meet the qualifications to make an investment. More than 200 people responded to the online surveys that were used for this investigation. A quantitative approach was employed to examine the gathered data. Using linear regression and SPSS software, the association between investment decision and financial literacy was examined. The findings indicated a significant positive relationship between financial literacy and investing decisions. It was hoped that this research will raise awareness of the value of financial literacy and provide some recommendations for those in the financial industry.

Nugraha et al. (2022) evaluated the influence of financial literacy and financial behavior on investment decision. The main objective of the study was to ascertain how financial behavior and financial literacy affected investing choices. The study's subjects were enrolled students at Mercu Buana University in Jakarta. The sample consists of 43 respondents. One kind of non-probability sampling is called purposeful sampling. To gather data, surveys were emailed to a preselected sample using a Google Form. The PLS (Partial Least Square) analytical technique was used in the data analysis procedure using SmartPLS 3.0 software. The study's conclusions demonstrated that both financial conduct and financial literacy significantly influenced investing decisions in a good way.

Ratnawati et al. (2022) analyzed the role of financial behavior as a mediator of the influence of financial literacy and financial attitudes on msme investment decisions in Indonesia. This study aimed to examine the influence of financial attitudes and financial literacy on investment choices in the context of mediated financial behavior. With a sample size of 100 individuals, the study's target audience consists of small and medium-sized businesses in Malang City, East Java, Indonesia. Structural equation modeling (SEM) was used as an analytical method. The argument made in the conclusion is that attitude and financial knowledge affect investing choices. The influence of financial attitudes on investment decisions cannot be moderated by financial conduct, but it can be mitigated by financial knowledge. The results of this study demonstrated that the competence and confidence of MSME owners to use their financial literacy and knowledge, as well as their capacity to manage their future finances, are important considerations when making investment decisions.

Bayakhmetova, Bayakhmetova and Bayakhmetova (2023) administered impact of financial literacy on investment decisions in developing countries: the example of Kazakhstan. The main objective of the study was to ascertain how financial literacy influences investment decision-making in developing countries using the Republic of Kazakhstan as a case study. A questionnaire survey was used to gauge the level of financial literacy among Kazakhstani residents, and SPSS software was used to analyze the results. To determine the effect of financial literacy on the efficacy of investment decision-making, a correlation study was performed on two variables: the financial literacy index and the investment decision-making efficiency index. The results showed that respondents' degree of financial literacy affected their choice of investments. After all, among respondents with a lower degree of financial literacy, there were fewer people who had made financial investments at least once, and among those with a greater level of financial literacy, there were more people. Age, education, and financial criteria all had an impact on how financial literacy affected making wise investment decisions.

Shrestha et al. (2023) investigated the impact of financial literacy on personal investment decisions in Kathmandu Valley. The main objective of the study was to assess how financial literacy affected individual's investing decisions in the Kathmandu Valley. For this investigation, a descriptive and causal research was created. A questionnaire survey with structured questions was created in order to gather data. The subjects of the research were stock market participants. Two hundred samples came via the convenience sampling approach. To thoroughly evaluate the data, regression analysis, correlation analysis, reliability analysis, and descriptive statistics were all applied. The study found that financial behavior, financial attitude, financial knowledge, and financial competence all had significant effects on investing decisions. Politicians ought to encourage investor protection and financial knowledge in order to enhance financial results for both people and society at large.

Sapiri and Awaluddin (2023) examined the distribution of financial attitude, financial behavior, financial knowledge and financial literacy on the investment decision behavior of young investors. The main objective of the study was to evaluate the ways in which the distribution of financial attitudes, behaviors, knowledge, and literacy affected the way in which young investors made investment decisions. The sample

size consisted of 110 individuals using the smallest sample technique. The analytical approach in this study was multiple linear regression analysis. This study revealed that the distribution of financial attitude, financial conduct, financial knowledge, and financial literacy all of which were shown to have an influence partially and simultaneously had a positive and significant effect on the investment decision-making behavior of young investors.

Subedi (2023) analyzed the financial literacy and investment decisions in Nepalese share market. The main objective of the study was to investigate how investors' decisions in the Nepalese share market are influenced by their level of financial literacy. Financial literacy is measured by a number of factors, including investment opportunities, risk tolerance, personal saving, and financial education. A convenience sample technique was used to deliver a standardized questionnaire to 384 respondents from the Kathmandu Valley, who gave information. Pearson correlation and multiple regression analysis are two methods of data analysis. The findings of the study showed a significant positive relationship between financial literacy characteristics and share market investment choices in Nepal. The capacity to save and make wise financial decisions is impacted by low financial literacy and a lack of financial knowledge. Making poor decisions about investments and savings is the consequence of not understanding fundamental financial principles.

Marpaung et al. (2024) examined the effect of financial literacy on investment decisions mediated by financial behavior. The primary goals of the research were to examine the relationship between financial literacy variables and investment decision variables, as well as the effects of financial behavior variables as mediating variables, and whether these relationships could be strengthened or weakened. Thirty-four individuals that worked in the South Jakarta Jamsostek Tower neighborhood made up the sample population. Utilizing a Likert scale as a measuring instrument, questionnaires were sent to gather research data. The descriptive quantitative method was employed to interpret the data, with support from the Smart PLS application's data analysis. The findings demonstrated that factors related to financial literacy affected both the variables related to investment decisions and the variables related to financial behavior. Nevertheless, neither the financial behavior variable nor its ability

to mediate the impact of financial literacy on investment decisions was influenced by financial behavior.

Sumantri et al. (2024) evaluated the effect of financial literacy (financial awareness, financial capability and financial behavior) on investment decisions in micro, small and medium enterprises (MSMEs) in Indonesia. The main objective of the research was to assess how financial literacy which includes financial conduct, financial competence, and financial knowledge affects the investment decisions Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia make. Structural Equation Modelling using Partial Least Squares (SEM-PLS) was used to evaluate survey data, with 164 respondents constituting the sample. The findings indicated that financial behavior, financial aptitude, and financial awareness all had an impact on investment decisions. More specifically, higher levels of financial literacy were associated with more thoughtful, strategic, and careful investment decisions. The study's conclusions showed how vital it was to improve financial literacy among MSMEs in Indonesia in order to promote economic growth and competitiveness.

Sugiasuti, Friseyla and Pramesti (2024) assessed how financial literacy and investment knowledge influence gold investment decisions. The primary goal of the study was to determine how thirty members of the EOA Gold community in Malang, which includes Batu City, Malang City, and Malang Regency, made decisions about their gold investments based on their knowledge of investments and financial literacy. IBM SPSS version 29 was utilized to conduct multiple linear regression analysis on data obtained from surveys and questionnaires. The results showed that investment knowledge was important, even while financial literacy by itself did not significantly affect decisions about buying gold. Furthermore, when taken into account jointly, investment knowledge and financial literacy had a big impact on these choices. These findings highlight how crucial it is for investors to increase their investment expertise in order to make wise choices about gold investments. The ramifications imply that focused educational initiatives and methods emphasizing investment expertise may enhance the financial consequences of gold investment decision-making.

Rana (2024) assessed impact of financial literacy on investment decisions of retail investors in the Nepalese stock market: A structural equation modeling approach. The primary objective of this study was to evaluate the impact of financial literacy factors on the stock market investing decisions made by Nepalese retail investors. A standardized survey questionnaire was used to collect 429 samples from retail investors on the Nepal Stock Exchange. The samples were selected using the convenience sampling technique. AMOS 22 and IBM SPSS 26 were utilized for the data analysis. The data in the study were examined using a broad range of statistical approaches, including confirmatory factor analysis, exploratory factor analysis, correlation analysis, descriptive statistics, and structural equation modeling (SEM). The study showed that retail investors' investing decisions are highly influenced by their financial behavior, knowledge, and abilities. Nonetheless, the results also showed that retail investors' investing decisions are unaffected by their financial attitudes.

Handini (2024) investigated the impact of financial literacy, investment knowledge, and investment motivation on investment decisions. The main objective of the study was to determine how motivation, knowledge, and financial literacy influenced the investment decisions made by management students at Dr. Soetomo University in Surabaya. Using deliberate selection techniques, 308 participants from this academic program were selected for the study to ensure that the research population is representative of all students. These comprised multiple linear regression analysis, testing of classical assumptions, F and t-tests, reliability and validity assessments, and correlation coefficient evaluations. The study revealed that financial literacy had no statistically significant impact on investing decisions, which was contrary to expectations. The study's conclusions, however, highlighted how important each respondent's unique investing expertise and motivation was in shaping their investment choices. Students' level of financial literacy, investment knowledge, and investment motivation all had a significant impact on the entire set of decisions they made regarding their investments.

Table 1*Summary of empirical review*

S. N.	Author (s)	Variables	Methodology	Major findings
1	Arianti (2018)	Dep. = Investment Decision Indep. = Financial literacy, financial behaviour and income.	Descriptive statistical analysis, multiple linear regression test, classical assumption test, F test, t test, and coefficient of determination were used.	The results of the study revealed that financial behavior and income influenced investment decisions significantly, but financial literacy had no appreciable effect on such decisions.
2	Hamza and Arif (2019)	Dep. = Investment Decision Indep. = Knowledge, skills attitude and behaviour.	The Smart-PLS software was utilized in conjunction with correlation and multiple regression analysis in this study to analyze the data.	The findings indicated that agreeableness, conscientiousness, and extraversion did not significantly influence investment decisions in relation to financial literacy. On the other hand, due to neuroticism, financial literacy had a strong favorable impact on investment decisions and a significant negative impact due to openness to experience.
3	Viantara et al. (2019)	Dep. = Investment Decision Indep. = General personal financial knowledge, saving and borrowing, insurance and investment.	Multiple regression analysis was used for data analysis	The results of this study demonstrated that borrowing, saving, and basic personal finance knowledge. Students' decisions about their investments are concurrently greatly influenced by insurance and investments. Only one investing variable had a partial impact on students' investment decisions.
4	Hc and Gusaptono (2020)	Dep. = Investment Decision Indep. = Financial knowledge Financial behavior financial literacy and financial attitude	Data analysis using multiple regression	The study found that financial knowledge had a beneficial effect on investing decisions. Financial behavior also had a favorable effect on investment selections. Then, financial literacy had a favorable effect on investment choices. In the end, financial attitudes had a favorable influence on investment decisions.

5	Kumari (2020)	Dep. = Investment Decision Indep. = Knowledge about financial products, accessing financial products, knowledge about investment options, money management and financial skill.	PLS-SEM, or partial least squares structural equation model, was the main method used for data analysis.	The findings found that financial literacy had a positive and significant effect on undergraduates' investing decisions. Furthermore, among the several facets of financial literacy, financial aptitude was shown to be the most crucial component. The least significant element impacting undergraduates' investing choices is their familiarity with financial instruments.
6	Alaaraj and Bakri (2020)	Dep. = Investment Decision Making Indep. = Financial knowledge and financial behaviour.	Descriptive statistics, multi-regression analysis, and Pearson correlation are used to assess the proposed hypotheses	This study found that financial literacy positively impacted investment decision-making. Similarly, financial literacy had a major impact on making wise financial decisions. This study concluded that financial literacy had a positive and significant impact on investors' decision-making.
7	Balagobeni and Prashanthan (2021)	Dep. = Investment Decision Indep. = Financial knowledge, financial attitude and financial behaviour.	The data were analyzed using t-test, ANOVA, regression, and correlation approaches	The findings showed that financial literacy had a major positive influence on individual investors' investment decisions in the Jaffna area. The results suggested that in order to support individual investors in making well-informed investment decisions.
8	Wangi and Baskara (2021)	Dep. = Investment Decision Indep. = Financial attitude, financial behavior, financial knowledge, and socio demographic factors	Multiple linear regression analysis approaches were employed in the data analysis procedure	The findings showed financial behavior, attitude, and knowledge as well as socio demographic characteristics positively impacted each person's investment decision-making process.
9	Walakumbura (2021)	Dep. = Investment Decision	Multiple linear regression is one type of	The results showed that while financial attitude had no effect on these judgments, financial

		Indep. = Financial knowledge, financial attitude and financial skill.	descriptive and inferential statistics that were employed in the study.	knowledge and abilities had significant effects. The empirical findings of this study can be useful to scholars, policy makers, and other interested parties, as well as to anyone who is prepared to make prudent financial decisions.
10	Suresh (2021)	Dep. = Investment Decision Indep. = Huristic bias, framing effect, cognitive illusions, herd mentality and financial literacy.	The data gathered was examined using the SEM technique	The findings demonstrated a strong positive correlation between heuristic bias and the development of behavioral bias in decision-making. Nonetheless, there is evidence linking the herd mentality, cognitive illusions, and framing effect to the development of behavioral biases.
11	Safitri and Purnama sari (2021)	Dep. = Investment Decision Indep. = Financial literacy, financial behavior, and financial motivation	Multiple linear regressions were the statistical method of choice for data analysis	The research accomplished for this study's results demonstrated that although financial behavior and financial motive have no impact on students' investing decisions, financial literacy does.
12	Rahman and Arsyianti (2021)	Dep. = Investment Decision Indep. = Financial literacy, financial behaviour, gender and income.	Descriptive analysis and SEM-PLS techniques were employed for data analysis.	Financial behavior and investment decisions were influenced by Islamic financial literacy. Investment decisions are then directly influenced by financial conduct. Additionally, it acted as a mediator between Islamic financial knowledge and investing decisions. The other finding showed that money had a favorable and significant impact on investing decisions, whereas gender had no effect.
13	Paramita and Henny (2022)	Dep. = Investment Decision Indep. = Financial knowledge, financial attitude and financial behaviour.	The analytical method used in this work is structural equation modeling (SEM), which makes use of the Smart PLS	The results showed that financial literacy, as determined by financial attitudes, financial knowledge, and financial behavior, had a positive impact on investment decisions. The findings provided empirical support for the idea of planned behavior by showing how an

			analysis tool	investor's attitudes, conduct, and knowledge affect their investing decisions
14	Aryadi (2022)	Dep. = Investment Decision Indep. = Behaviour, skill, knowledge and attitude.	A quantitative approach was employed to examine the gathered data. Using linear regression and SPSS software	The findings indicated a significant positive relationship between financial literacy and investing decisions. It was hoped that this research will raise awareness of the value of financial literacy and provide some recommendations for those in the financial industry.
15	Nugraha et al. (2022)	Dep. = Investment Decision Indep. = Financial literacy and financial behavior.	The PLS (Partial Least Square) analytical technique was used in the data analysis procedure using SmartPLS 3.0 software	The study's conclusions demonstrated that both financial conduct and financial literacy significantly influenced investing decisions in a good way.
16	Ratnawati et al. (2022)	Dep. = Investment Decision Indep. = Financial literacy, financial attitude and financial behavior.	Structural equation modeling (SEM) was used as an analytical method.	The results of this study demonstrated that the competence and confidence of MSME owners to use their financial literacy and knowledge, as well as their capacity to manage their future finances, are important considerations when making investment decisions.
17	Bayakhetova, Bayakhetova and Bayakhetova (2023)	Dep. = Investment Decision Indep. = Age, education, and financial criteria such as financial skill, financial knowledge and financial behaviour	A questionnaire survey was used to gauge the level of financial literacy among Kazakhstani residents, and SPSS software was used to analyze the results	The results showed that respondents' degree of financial literacy affected their choice of investments. After all, among respondents with a lower degree of financial literacy, there were fewer people who had made financial investments at least once, and among those with a greater level of financial literacy, there were more people.
18	Shrestha et al. (2023)	Dep. = Personal Investment Decision Indep. = Financial knowledge, financial	Regression analysis, correlation analysis, reliability analysis, and descriptive	The study found that financial behavior, financial attitude, financial knowledge, and financial competence all had significant effects on investing decisions. Politicians ought to encourage investor protection

		attitude and financial skill, financial behaviour and financial awareness.	statistics were all applied	and financial knowledge in order to enhance financial results for both people and society at large.
19	Sapiri and Awaludd in (2023)	Dep. = Investment Decision Indep. = Financial knowledge, financial attitude and financial literacy and financial behaviour.	The analytical approach in this study was multiple linear regression analysis.	This study revealed that the distribution of financial attitude, financial conduct, financial knowledge, and financial literacy all of which were shown to have an influence partially and simultaneously had a positive and significant effect on the investment decision-making behavior of young investors.
20	Subedi (2023)	Dep. = Investment Decision Indep. = Financial knowledge, personal saving, risk tolerance level and investment options.	Pearson correlation and multiple regression analysis are two methods of data analysis	The findings of the study showed a significant positive relationship between financial literacy characteristics and share market investment choices in Nepal. The capacity to save and make wise financial decisions is impacted by low financial literacy and a lack of financial knowledge.
21	Marpaung et al. (2024)	Dep. = Investment Decision Indep. = Financial literacy and financial behavior.	The descriptive quantitative method was employed to interpret the data, with support from the Smart PLS application's data analysis	The findings demonstrated that factors related to financial literacy affected both the variables related to investment decisions and the variables related to financial behavior. Nevertheless, neither the financial behavior variable nor its ability to mediate the impact of financial literacy on investment decisions was influenced by financial behavior
22	Sumantri, Fahmi and Sari (2024)	Dep. = Investment Decision Indep. = Financial awareness, financial capability and financial	Structural Equation Modeling using Partial Least Squares (SEM-PLS) was used to evaluate survey data, with 164 respondents	The findings indicated that financial behavior, financial aptitude, and financial awareness all had an impact on investment decisions. More specifically, higher levels of financial literacy were associated with more thoughtful, strategic, and

		behavior.	constituting the sample.	careful investment decisions.
23	Sugiastuti, Friseyla and Pramesti (2024)	Dep. = Investment Decision Indep. = Financial literacy and investment knowledge.	IBM SPSS version 29 was utilized to conduct multiple linear regression analysis on data obtained from surveys and questionnaires	The results showed that investment knowledge was important, even while financial literacy by itself did not significantly affect decisions about buying gold. Furthermore, when taken into account jointly, investment knowledge and financial literacy had a big impact on these choices
24	Rana (2024)	Dep. = Investment Decision Indep. = Financial knowledge, financial attitude and financial skill and financial behaviour.	This study used confirmatory factor analysis, exploratory factor analysis, correlation analysis, descriptive statistics, and structural equation modeling (SEM)	The study showed that retail investors' investing decisions are highly influenced by their financial behavior, knowledge, and abilities. Nonetheless, the results also showed that retail investors' investing decisions are unaffected by their financial attitudes.
25	Handini (2024)	Dep. = Investment Decision Indep. = Financial literacy, investment knowledge and investment motivation	These comprised multiple linear regression analysis, testing of classical assumptions, F and t-tests, reliability and validity assessments, and correlation coefficient evaluations	The study revealed that financial literacy had no statistically significant impact on investing decisions, which was contrary to expectations. The study's conclusions, however, highlighted how important each respondent's unique investing expertise and motivation was in shaping their investment choices.

Source: Authors' Construct

2.3 Research gap

It refers to gap or difference between previous studies and this study. The financial literacy is an important aspect that allows individuals to make informed financial decisions. Financially literate investors often make effective investment decisions and make fewer mistakes compared to the financially illiterate investors. Thus, the concept of financial literacy has a great importance in the individuals' investment.

Only a few investors consider following the market trend, understand the technical and fundamental concepts which making their investments. Furthermore, there is a low level of financial literacy among various demographic groups of the individuals of different countries, irrespective of stage of the economic development of a country. However, there has not been sufficient research regarding the impact of financial literacy on the investment decisions in context to Nepal. To the best of the researcher's knowledge there are no prior studies conducted on the impact of financial literacy using same dimensions on the personal investment decision in context to Kathmandu Valley. Further, previous studies these independent variables (financial knowledge, financial skill, financial attitude and financial behaviour) are not studied together and also these variables are not studied with effect of financial literacy on investors' investment decisions in Nepalese stock market.

Moreover, some previous studies have come up with conflicting findings. For instance, Balagobei and Prashanthan (2021); Paramita and Henny (2022); Shrestha et al. (2023); Sapiri and Awaluddin (2023) found that financial attitude had significant positive impact on investment decision whereas Walakumbura (2021); Rana (2024) concluded that financial attitude had no impact on investment decision. Shrestha et al. (2023) on their part, noted a weak influence of financial knowledge while Paramita and Henny (2022); Walakumbura (2021) indicated a significant effect of financial knowledge on investment decision. Further, of Alaaraj and Bakri (2020); Balagobei and Prashanthan (2021) observed financial behaviour had significant positive effect on investment decision whereas Safitri and Purnamasari (2021) had no effect on investment decision. Given these conflicting results, it remains unclear which factors and to what extent they impact investment decision. This study aims to address and fill that gap.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is the methodical process of resolving a problem by systematic information recording, analysis, interpretation, and reporting of the numerous facets of phenomena under study. The research methodology for this paper describes the steps and techniques employed in each phase of the inquiry. This chapter describes research design, population and sample, and sampling design, nature and sources of data, and the instrument of data collection, method of analysis and research framework and definition of variables.

3.1 Research design

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

3.2 Population and sample, and sampling design

The population under study comprises all investors in the various NEPSE-listed Kathmandu Valley companies including commercial banks, development banks, finance, insurance, manufacturing, hydropower, and others will be taken into account in the Kathmandu valley. However, only 365 questionnaires are distributed, out of them, 312 questionnaires received but only 300 responses are valid. Therefore, the sample size of the study is 300. The sampling technique for the study followed non-probability sampling technique i.e. convenience sampling. As such, it will be a simpler method to get data than other sampling strategies.

3.3 Nature and sources of data, and instruments of data collection

The primary data are used to extract the information from the investors regarding the financial literacy and its impact on investment decision of investors in Nepalese stock market. Structured set of 5 point likert Scale questionnaires were distributed to the investors.

3.4 Method of analysis

Numerous statistical methods were used in the investigation. The following subsections discuss the statistical instruments that were employed in this write-what statistical study to evaluate the data findings:

Mean

The arithmetic mean of a range of values or quantities is the mean, which is calculated by dividing the total number of values by the number of values. It makes reference to the average that is looked at or used to ascertain the central tendency of the data. The arithmetic mean is a commonly used and simple to understand measure of central tendency. Add together all the data points for the population and divide the total by the number point to find it. In this study, the average of the respondents' responses to the several variables in the Likert scale question is calculated using the mean. The mean value of the responses to the Likert scale question is calculated for each sample.

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

Where,

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

n = No. of statements

Standard deviation

The standard deviation, which measures dispersion, can be used to express how much a set of data values change or are distributed. The variance represented as the positive square root is one way to put it. One of its characteristics is that, unlike variance, the standard deviation has the same units of measurement as the data, which is a useful distinction. There is a larger deviation within the data set if the data points deviate further from the mean. Consequently, the standard deviation increases along with the data dispersion. Every sample in this inquiry has its standard deviation computed based on responses on the Likert scale.

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

Where,

X = Value of responses of each dependent or independent variable

\bar{X} = Mean value of responses of each dependent or independent variable
n = No. of responses

Variance

Variance is a measure of the variation in numbers within a set of data. The variance of a set shows how far each number deviates from the mean. To calculate the variance, take the difference between each value in the set and the mean, square the differences, then divide the sum of the squares by the total number of values in the set. The Likert scale responses for each sample in this study are calculated to determine the variance. Variance is a statistical measure of how much an observation set varies from another. Variance is used in statistics for probability distribution since it measures the deviation from an average or mean.

ANOVA

An analysis of variance, or ANOVA, is a set of statistical models and the corresponding estimation methods used to look at the differences between group averages in a sample. ANOVA is used to look at general mean differences rather than specific ones. This technique uses a nominal variable with two or more categories to assess potential scale-level changes in a dependent variable. In its most basic form, an ANOVA provides a statistical test to ascertain if the population means of many groups are equal and broadens the use of the t-test to encompass more than two groups. An ANOVA is useful for comparing the means of three or more groups for statistical significance. It is analogous to multiple two-sample t-tests in theory. This test is also known as the Fisher analysis of variance.

Correlation coefficient (r)

The correlation coefficient shows how one independent variable and another independent variable are related. It is a method for determining the relationship between these two variables. When there is a substantial correlation between the two variables—that is, when changes in the value of the independent variable also have an impact on the value of the dependent variable—there is a correlation coefficient. Correlation is estimated for Likert scale responses in order to ascertain the degree of

association between independent and dependent variables for each sample in this study.

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

Where,

X = Value of independent variable

Y = Value of dependent variable

n = Number of responses

Multiple regression

Regression is one statistical method used to evaluate the degree of a relationship between one dependent variable and one or more independent variables. It includes a wide range of techniques for analyzing and modeling several variables to find their relationships. Based on Likert scale responses, regression analysis is utilized in this study to ascertain the direction of the connection between the independent and dependent variables for each sample. Regression analysis is used to compare the explanatory factors with the dependent variable, the investment decisions. Equation below represents the theoretical model for the relationship:

$$ID = \beta_0 + \beta_1 FK + \beta_3 FS + \beta_4 FA + \beta_4 FB + \varepsilon$$

Where,

ID= Investment decision

FK = Financial knowledge

FS = Financial skills

FA = Financial attitude

FB = Financial behavior

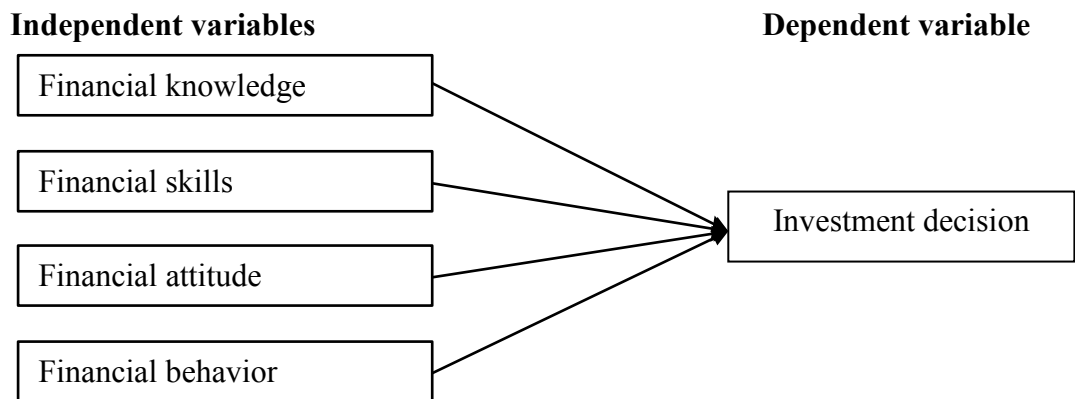
β_0 = The intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient of variables

ε = Error term.

3.5 Research framework and definition of the variables

The researcher develops the following research framework for the study based on reviews of the theoretical and empirical literature.

Figure 1*Research framework of the study*

Source: Balagobei and Prashanthan (2021); Walakumbura (2021); Paramita and Henny (2022) and Shrestha et al. (2023); Rana (2024)

Dependent variable

Investment decision

Investment decisions are private and only belong to independent people. As a result, careful consideration is needed before making an investment. The process of making investment decisions involves evaluating a number of challenges or issues, choosing one or more investment possibilities, and partially transforming inputs into outputs (Sapiri & Awaluddin, 2023).

Independent variables

Financial knowledge

An individual's level of financial literacy is based on how well they understand basic financial concepts including compound interest, inflation, debt, assets, time value of money, deposits, diversification, interest rates, and debt (Dewi et al., 2020). Balagobei and Prashanthan (2021) found that financial knowledge had significant positive impact on investment decision. Shrestha et al. (2023) found that financial knowledge had positive effect on personal investment decision.

Financial skill

Financial skills are the ability to make decisions with the goal of lowering the possibility of experiencing financial troubles. Shrestha et al. (2023) observed that financial skill had significant positive effect on personal investment decision.

Walakumbura (2021) mentioned that financial skill had significant positive impact on investment decision.

Financial attitude

A person's attitudes, beliefs, and perceptions regarding their spending, saving, investing, and planning behaviors make up their financial attitude, which is an important factor to consider when making investment decisions. One's financial attitudes are the result of a combination of thoughts, emotions, and perceptions related to schooling that influence one to react favorably. Balagobei and Prashanthan (2021) found that financial attitude had significant positive impact on investment decision. Shrestha et al. (2023) observed that financial attitude had significant positive effect on personal investment decision.

Financial behavior

Financial behavior is the ability and knowledge to borrow, save, and make a budget. Financial routines and habits can have a long-term and short-term impact on an individual's financial status and well-being. They can also provide insight into the individual's character and continuously influence their investment decisions (Mandell & Klein, 2009). Balagobei and Prashanthan (2021) found that financial behaviour had significant positive impact on investment decision. Shrestha et al. (2023) observed that financial behaviour had significant positive effect on personal investment decision.

CHAPTER – IV RESULTS AND DISCUSSION

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

4.1 Results

4.1.1 Respondents demographic profile

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

Table 2

Gender specification

Gender	No. of Respondents	Response (percent)
Male	174	58.00
Female	126	42.00
Others	0	0
Total	300	100

Source: Opinion survey, 2024

Table 2 shows the distribution of the respondents on the basis of gender. In this study, information is gathered from 300 participants and examined, with a focus on the Kathmandu Valley. Male respondents made up 58.00 percent of the total respondents, which suggests that male investors make up the majority of the population. Compared to female and others respondents, the majority of the 300 respondents' responses are from men. Then, when asked about financial literacy and how it affects stock market

investors' decisions to invest, 42.55 percent of the respondents are female. However, no investors from others gender in this study. According to these findings, men were more likely than women and others to have invested in the research area's stock market.

Table 3

Age description of respondents

Age	No. of respondents	Response (percent)
18-25	42	14.00
26-35	234	78.00
36 and above	24	8.00
Total	300	100

Source: Opinion survey, 2024

According to Table 3, which provides an age description of the respondents, 78.00 percent of the respondents are in the 26–35 age range in the Kathmandu Valley. The age group of 36 and above makes up the smallest percentage of stock market investors. Nonetheless, the bulk of responders are young. Furthermore, of those who responded, 14.00 percent identified as belonging to the 18–25 age group and 8.00 percent as representing the 36 and older age group. This suggests that 92.00 percent of all stock market investors in Nepal are young, active individuals who are able to make stock market investments, among other things.

Table 4

Education level of the respondents

Education	No. of Respondents	Response (percent)
PCL and below	0	0
Bachelor	176	58.67
Masters/Above masters	124	41.33
Total	300	100

Source: Opinion survey, 2024

Table 4 presents the education profile of the respondents. As to the report, of the 384 investors who were questioned, 176 (58.67 percent) had a bachelor's degree, while 124 (41.33 percent) had masters/above masters. Additionally, no investor with a PCL or less has made an investment or there is no respondent PCL and below education in this study.

The results suggest that most of the respondents who are questioned could read and comprehend the questionnaires that were utilized for this investigation. As a result, the respondents are able to give accurate responses and demonstrated that they were aware of how behavioral aspects affect stock market investing decisions.

Table 5

Year of experience of investors

Year of investment	No. of respondents	Response (percent)
Fresher	110	36.67
1-5 years	136	45.33
5-10 years	42	14.00
10 years and above	12	4.00
Total	300	100

Source: Opinion survey, 2024

Table 5 also included details on the respondent's stock market investment background. Of the 300 respondents, 136 (45.33 percent) have been investing for one to five years, while 110 (36.67 percent) have been investing for a shorter period of time. Furthermore, it is found that 12 respondents, or 4.00 percent, have been investors for 10 years or more, whereas 42 respondents, or 14.00 percent, have been investors for five to ten years.

4.1.2 Descriptive statistics analysis

The data in this study are analyzed using the mean and standard deviation methods. A higher mean value indicates that more respondents concur that the financial literacy may significantly effect on investment decisions.

Financial knowledge

This section uses descriptive analysis to examine how financial knowledge affects investors' investment decision in Nepalese stock market. Financial knowledge in this study consist of five items. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The

information below illustrates how financial knowledge affect stock market investing decisions made by investors.

Table 6

Financial knowledge

Scale Items of Financial Knowledge	Mean	Std. Dev.
FK1 Buying a company stock usually provides a safer return than stock mutual fund.	3.8500	1.02518
FK2 When interest rate rises the bond price falls	3.8500	1.05414
FK3 Company stocks are riskier than bonds	3.7400	1.02758
FK4 Investing in various assets will spread the risk of losing money.	3.8900	.99054
FK5 Bonds compared to savings accounts and stocks considering a long investment period gives highest interest return	3.9100	.89698

Source: Appendix-I

Table 6 presents descriptive statistics for five different scale items that are financial knowledge used by stock market investors. The scale item with the highest mean 3.9100 score among all was FK5, “Bonds compared to savings accounts and stocks considering a long investment period give highest interest return.” The lowest mean, 3.7400, was found for scale item FK3, “Company stocks are riskier than bonds.” The following table shows that, over an extended investment period, bonds yield the highest interest return when compared to savings accounts and equities. Investing in a variety of assets will also diversify the risk of losing money. Additionally, the study found a standard deviation (Std. Deviation) ranging from 0.89698 to 1.05414. This indicates a little variance across the variables examined in the study and suggests that the responses are not widely distributed.

Financial attitude

This section uses descriptive analysis to examine how financial attitude affect stock market investing decisions made by investors. Financial attitude factors five claims in this study. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents’ opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below

illustrates how financial attitude affect stock market investing decisions made by investors.

Table 7

Financial attitude

Scale items of financial attitude	Mean	Std. Dev.
FA1 I feel in control of my financial situation	3.8500	.91119
FA2 I have developed a spending and savings plan (personal budget).	3.7900	1.04381
FA3 I am not willing to take loans at high interest rates	3.6800	1.05893
FA4 I feel capable of using my future income to achieve my financial goals	3.8100	1.00861
FA5 I make financial investments with long maturity periods	3.7000	1.02641

Source: Appendix-I

Table 7 presents descriptive statistics for five distinct scale items related to financial attitude of stock market investors. FA1, “I feel in control of my financial situation,” earned the highest mean score of all the scale items, 3.8500. The lowest mean, 3.6800, was found for scale item FA3, “I am not willing to take loans at high interest rates.” The aforementioned table indicates that investors feel in control of my financial situation and feel capable of using my future income to achieve my financial goals. Additionally, the study found a standard deviation ranging from 0.91119 to 1.05893, indicating a small variation among the variables examined and suggesting that the responses are not widely distributed.

Financial skill

This section uses descriptive analysis to demonstrate how financial skill affects investors' stock market investment decisions. There are five distinct assertions that are market factors. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 8*Financial skill*

Scale items of financial skill	Mean	Std. Deviation
FS1 I prepare a monthly budget to manage my money.	3.8000	1.06007
FS2 I plan to purchase financial products that suits my needs and conditions.	3.8600	.97136
FS3 I evaluate the cost of borrowing before signing for a loan	3.8800	1.01441
FS4 I do financial planning for the future.	3.8200	.99544
FS5 I keep a personal watch on my financial affairs relating to my assets, debts and savings	3.6700	1.07934

Source: Appendix-I

Table 8 presents descriptive statistics of five distinct financial skill pertaining to stock market investors. The item FS3, “I evaluate the cost of borrowing before signing for a loan,” earned the highest mean score of all the scale items, 3.8800. The lowest mean, 3.6700, was found for scale item FS5, “I keep a personal watch on my financial affairs relating to my assets, debts and savings.” It is evident from the data that investors evaluate the cost of borrowing before signing for a loan and they plan to purchase financial products that suits my needs and conditions. Additionally, the study found a standard deviation (Std. Deviation) ranging from 0.97136 to 1.07934. This indicates a little variance across the variables examined in the study and suggests that the responses are not widely distributed.

Financial behaviour

This section uses descriptive analysis to examine how financial behaviour affects investors’ investment decision in Nepalese stock market. Financial behaviour in this study consist of five items. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how financial behaviour affect stock market investing decisions made by investors.

Table 9*Financial behaviour*

Scale items of financial behaviour	Mean	Std. Dev.
FB1 I have a personal budget.	3.7400	1.02758
FB2 I always allocate certain portion of my income in savings.	3.7500	1.03493
FB3 My household income each month is regular and reliable.	3.8100	1.01851
FB4 I constantly review the investments I have made.	3.8400	.97857
FB5 I always keep aside money for future contingencies.	3.7800	1.08421

Source: Appendix-I

Table 9 presents descriptive statistics for five different scale items that are financial behaviour used by stock market investors. The scale item with the highest mean 3.8400 score among all was FB4, “I constantly review the investments I have made”. The lowest mean, 3.7400, was found for scale item FB1, “I have a personal budget.” It suggests that they constantly review the investments and they have made themselves and that they continually evaluate the investments they have made. Additionally, the study found a standard deviation ranging from 0.97857 to 1.08421, indicating a small variation among the variables examined and suggesting that the responses are not widely distributed.

Investment decision

Through descriptive analysis, the state of investment decision is demonstrated in this part. Five statements are included in the investment decisions. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 10*Investment decision*

Scale items of investment decision	Mean	Std. Dev.
ID1 I will invest in stock market frequently	3.6800	1.14103
ID2 I consult to my family and friends before making investment decisions.	3.7400	1.03730
ID3 I will invest in the stock market in near future	3.7800	1.05609
ID4 I will recommend other to invest in the stock market	3.7000	1.15518
ID5 I tend to save money regularly	3.7700	1.05870

Source: Appendix-I

Table 10 showed the individual scale components of the investment decision. Among five scale items ID3 “I will invest in the stock market in near future” scored the highest mean value 3.7800 with standard deviation 1.05609. Then, scale item ID1, “The return rate of my recent stock investment meets my expectation,” got the lowest score, with a mean value of 3.6800 and a standard deviation of 1.14103. The results of the research indicate that investors felt content with my choices regarding purchases, sales, volume of stock selection, and stock selection during the previous year, and that their rate of return was either higher than or equal to the market's average return.

4.1.3 Summary of descriptive analysis

The mean value and standard deviation of each dimension are used to assess the effect of financial literacy on investors’ investment decision in Nepalese stock market. Creswel (2012) provided trustworthy sources from which the decision rule (cut-off point) for the mean values was derived and interpreted. According to Creswel (2012), a mean value of less than 1.5 denotes very low, 1.51-2.5=Low, 2.5–3.5 moderate, 3.5–4.5 high, and 4.5+ very high. Based on this mean score evaluation, the researcher gave the participants’ mean score for each category of variable descriptions.

Table 11

Summary of descriptive analysis

Study Variables	Mean	Std. Deviation	Evaluation of Mean Score
Financial knowledge (FK)	3.8480	.76449	High
Financial attitude (FA)	3.7660	.79331	High
Financial skill (FS)	3.8060	.76729	High
Financial behaviour (FB)	3.7840	.84979	High
Investment decision (ID)	3.7340	.82408	High

Source: Appendix-I

The results of the study show that, as shown in Table 10, the investment decisions has a mean score of 3.7340, which denotes a high level. With the exception of the financial knowledge components, which fall between 3.7660 and 3.8480, it shows that every financial literacy component element is at a high level. The elements with the highest mean score value of 3.8480 is the financial knowledge, followed by financial attitude, financial skill and financial behavior. The highest mean score of 3.8480 indicates that the financial knowledge component is the primary focus of this investigation. The total value of the highest mean score of 3.8480 suggests that the

financial knowledge component is the main element in this study. Then, it is clear that the majority of investors feel that their level of investment decision-making is high and that financial knowledge factors have a significant impact on their investment decision. A total mean score of 3.7340 is obtained by the investment decision (ID), while financial knowledge (FK), financial attitude (FA), financial skill (FS) and financial behavior (FB) received scores of 3.8480, 3.7660, 3.8060 and 3.7840 respectively.

4.1.4 Correlation analysis

The impact of financial literacy on investing decisions in stock market is investigated using correlation analysis. The relationship between the dependent and independent variables investment decision and financial literacy is shown in the following tables. Correlation analysis was used in this study to determine the connection between the variables. Using the SPSS software, the researcher determined the correlation coefficient value in this analysis. The general association between financial literacy and investment decision is the main focus of the correlation analysis.

Table 12

Pearson correlation coefficients of study variables

Variables	FK	FA	FS	FB	ID
Financial knowledge (FK)	1				
Financial attitude (FA)	.408**	1			
	.000				
Financial skill (FS)	.529**	.366**	1		
	.000	.000			
Financial behaviour (FB)	.418**	.424**	.737**	1	
	.000	.000	.000		
Investment decision (ID)	.643**	.611**	.690**	.645**	1
	.000	.000	.000	.000	

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

Source: Appendix-II

Table 12 shows the results of the correlation test for both the dependent and independent variables using a correlation coefficient matrix. The correlation analysis shows that financial knowledge has significant positive relationship with investment decisions, with a significant value of 0.000 and a coefficient of 0.643. Likewise, the correlation coefficient between financial attitude and investment decision is 0.611, with a significant value of 0.000. Thus, it is evident that financial attitude has a

significant positive relationship with and investment decision ($P < 0.05$). Additionally, there is a significant positive association ($P < 0.05$) between financial skill and investment decision, as indicated by the correlation value of 0.690, which has a significant value of 0.000. Moreover, the correlation coefficient between financial behaviour and investment decision is 0.645, with a significant value of 0.000. Thus, it is obvious that financial behaviour has a significant positive relationship with investment decision ($P < 0.05$).

4.1.5 Multiple regression analysis

A wide range of modeling and analysis tools are used when the relationship between the independent variables (financial knowledge, financial awareness, financial skill and financial behaviour) and the dependent variable (investment decision), also known as the investment choices, is the main emphasis.

Table 13

Model summary

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.832 ^a	.692	.687	.46074

a. Predictors: (Constant), FB, FK, FA, FS

Source: Appendix-III

The R square is 0.692. The implication therefore is that, 69.20 percent of the variation in the dependent variable (investment decision) is explained by the independent variables (financial knowledge, financial skill, financial attitude and financial behaviour). In this study, the R statistic is 0.832, indicated that there is strong relationship between study variables. This implies that the investment decision was highly influenced by its independent variables. Standard error of estimate is flawlessly associated with regression analysis.

Table 14*Analysis of Variance (ANOVA)*

	Model	Sum of squares	df	Mean square	F	Sig.
1	Regression	140.430	4	35.107	165.380	.000 ^b
	Residual	62.624	295	.212		
	Total	203.053	299			

a. Dependent Variable: ID

b. Predictors: (Constant), FB, FK, FA, FS

Source: Appendix-III

Findings indicate that the investment decisions have a major impact. The results indicate a significant relationship between the independent variables and the dependent variable (investment decision), as demonstrated by the F-values of 165.380 ($p = 0.000 < 0.05$) for financial knowledge, financial skill, financial attitude and financial behavior as a proxy for investment decision.

Table 15*Regression coefficient of independent variables on investment decision*

Variables	Coefficients	t-statistics	Sig. or p-value
(Constant)	-.524	-3.110	.002
Financial knowledge (FK)	.309	7.246	.000
Financial attitude (FA)	.324	8.372	.000
Financial skill (FS)	.316	5.731	.000
Financial behaviour (FB)	.171	3.579	.000

a. Dependent variable: ID

Source: Appendix-III

Table 15 presents the regression coefficient of financial knowledge, financial attitude financial skill and financial behaviour and the intercept value of dependent variable investment decision. The coefficient of regression β for financial knowledge is 0.309. According to the findings, if on unit financial knowledge increases, investment decision increases by 0.309 units. The p value of financial knowledge value is 0.000, meaning that they are statistically significant at the five percent significance level. Financial knowledge, therefore, has a significant positive influence on the investment decisions. The coefficient of regression β for financial attitude is 0.324. According to the statistics, the investment decisions increases by 0.324 units for every unit change in financial attitude. Furthermore, at the five percent significance level, the shift is

statistically significant, as indicated by the financial attitude's p value of 0.000. Hence, this is significant positive effect of financial attitude on investment decision.

The coefficient of regression (β) for financial skill is 0.316. These statistics show that for every one unit increases in a financial skill, investment decision increased by 0.316 units. At the five percent significance level, the financial skills' p value of 0.000 indicates that they are statistically significant. Therefore, the investment decision is greatly significantly positively impacted by financial skill. Finally, the coefficient of regression β for financial behaviour is 0.171. According to the statistics, the investment decisions increases by 0.171 units for every unit change in financial behaviour. Furthermore, at the five percent significance level, the shift is statistically significant, as indicated by the p value of financial behaviour of 0.000. Hence, this is significant positive effect of financial behaviour on investment decision.

4.2 Discussion

The main purpose of the study is to evaluate the impact of financial literacy on investors' investment decisions in Nepalese stock market. This study is broadly paying attention on different factors (like financial knowledge, financial skill, financial attitude and financial behaviour). This research also highlights the association between different financial literacy and investment decision. Research and previous literature supports the relationship between financial knowledge, financial skill and financial attitude and investment decision. The research literature validates that these factors directly investment decision. The correlation analysis shows financial knowledge has significant positive relationship with investment decision which is consistent with the finding of Balagobei and Prashanthan (2021) found a positive and significant relationship between financial knowledge and investment decision. This is also consistent with the finding Paramita and Henny (2022); Shrestha et al. (2023); Subedi (2023). Likewise, financial attitude has positive and statistically significant relationship with investment decision. The result is consistent with Paramita and Henny (2022) which observed positive relationship between financial attitude and investment decision. The result is also consistent with Balagobei and Prashanthan (2021); Shrestha et al. (2023).

There is positive and significant relationship of financial skill and investment decision. The result is line with the findings of Shrestha et al. (2023) mentioned that financial skill have positive and significant positive relationship with investment decision. In addition, financial behaviour has a significant positive relationship with investment decision. This is consistent with the finding of Shrestha et al. (2023) found that financial behaviour has significant positive relationship with investment decision. This is also consistent with the finding of Balagobei and Prashanthan (2021); Paramita and Henny (2022).

The multiple regression analysis found that financial knowledge has significant positive impact on investment decision in stock market. This is consistent with the finding of Kumari (2020). The result is also consistent with Balagobei and Prashanthan (2021); Walakumbura (2021); Paramita and Henny (2022); Shrestha et al. (2023); Sapiri and Awaluddin (2023); Subedi (2023). Likewise, the financial attitude has significant positive impact on investment decision in stock market. This finding is similar with the prior study of Balagobei and Prashanthan (2021). This result is also consistent with the finding of Paramita and Henny (2022); Shrestha et al. (2023); Sapiri and Awaluddin (2023) found that financial attitude had significant positive impact on investment decision. However, it contradicts with the finding of Walakumbura (2021) concluded that financial attitude had insignificant impact on investment decision.

At the same time, the financial skill has significant positive impact on investment decision. This result is consistent with the finding of Kumari (2020). Moreover, this study also line with the prior study of Walakumbura (2021); Shrestha et al. (2023) mentioned that financial skill had significant positive influence on investment decision. Finally, financial behaviour has significant positive effect on investment decision. This is consistent with the finding of Shrestha et al. (2023) concluded that financial behaviour has significant positive effect on investment decision. This is also consistent with the previous study of Balagobei and Prashanthan (2021); Paramita and Henny (2022).

CHAPTER – V

SUMMARY AND CONCLUSION

5.1 Summary

The importance of financial literacy to people and organizations is enormous. They claim, for instance, that customers who are financially educated make better customers, which lower risk for financial institutions and boosts their bottom line. Additionally, knowledgeable customers filter out unethical suppliers and activities at the market level, contributing to the market's development and oversight. It is crucial that individuals of all ages possess the ability to make wise investing decisions. An individual's ability to make educated financial decisions has a substantial impact on their ability to manage their financial affairs. An individual's quality of life and financial stability are significantly impacted by the outcomes of their financial decisions. To make wise decisions on a daily basis, households must comprehend the basics of personal finance, which include compound interest, budgeting, and short- and long-term investment risks. These concepts help eliminate most common errors in decision-making. Making intelligent investment decisions requires a sufficient level of financial literacy.

The major objective of this study is to analyze the effect of financial literacy on investors' investment decisions in Nepalese stock market. The other specific objectives are to examine the financial literacy factors influencing the investment decisions of individual investors in Nepalese stock market, to analyze the relationship between financial literacy and investors' investment decisions in Nepalese stock market and to assess the impact of financial literacy such as financial knowledge, financial skill, financial attitude and financial behavior on investors' investment decisions in Nepalese stock market. This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the financial literacy of stock investment decisions of Nepalese investors. This study adopts descriptive research design to analyze the financial literacy characteristics and status which can help take investment decision in Nepalese stock market. Causal research design uses to find the cause and effect of financial literacy on investment decision of investors. Since all the investors within Kathmandu Valley of different companies listed in NEPSE such as commercial banks, development banks, finance,

insurance, manufacturing, hydropower and other are considered are the population but only 300 investors are the sample of this study. The primary data is used to extract the information from the investors regarding the behavioral factors and its impact on investment decision of investors in Nepalese stock market. In this study, descriptive analysis, correlation analysis and multiple regressions are applied by using SPSS version 26. This study use investment decision as dependent variable and financial knowledge, financial attitude, financial skill and financial behavior are the independent variables.

This study found that investors agreed that financial knowledge and financial skill highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant positive association between financial knowledge and investment decision. Similarly, financial attitude has significant positive relationship with investors' investment decision. At the same time, there is significant positive association between financial skill and investment decision. Moreover, financial behavior has significant positive relationship with investment decision. The regression analysis shows that there is significant positive effect of financial knowledge on investment decision. Then, there is also significant positive effect of financial attitude on investment decision. At the meantime, financial skill has significant positive impact on investment decision. Finally, financial behavior has significant positive effect on investment decision. However, financial literacy has significant impact on investors' investment decision in Nepalese stock market.

5.2 Conclusion

It can be concluded that financial knowledge, financial attitude, financial skill and financial behavior are the major factors of investors' investment decision in Nepalese stock market. Specially, this study concluded that investors agreed that financial knowledge and financial skill highly affects investors' investment decision in stock market among the other variables.

The correlation analysis concluded financial knowledge has significant positive relationship with investment decision. Likewise, financial attitude has significant positive relationship with investors' investment decision. At the meantime, there is

significant positive association between financial skill and investment decision. In addition, financial behavior has significant positive relationship with investment decision.

The regression analysis concluded that the effect of financial knowledge on investment decision is significant positive. Then, there is also significant positive effect of financial attitude on investment decision. At the meantime, financial skill has significant positive impact on investment decision. Moreover, financial behaviour has significant positive effect on investment decision. Therefore, this study concluded that financial literacy has major impact on investment decision in Nepalese stock market.

5.3 Implications

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

- The finding revealed that financial knowledge, financial attitude, financial skill and financial behavior have the significant positive influence on investment decision. The research's findings encouraged the Nepal Stock Exchange to intensify its efforts to raise investor awareness of education since doing so is essential to preventing poor investing results brought on by financial literacy. Accounting and financial seminars are necessary in order to enhance accounting proficiency, which will ultimately enhance the ability to evaluate securities before acquiring and purchasing them.
- Some of the most recent information, statistics, and concerns about investor decision-making behavior and financial literacy aspects may be found in this research. Therefore, investors, future researchers, and students should all find this study to be important.
- The results of the analysis will ultimately be advantageous to the government since they will allow it to better support market efficiency and satisfy investor demands by identifying the major influencing factors and amending relevant laws and other policies.
- The research contributes to the body of knowledge already available in the field of finance by improving it. Researchers and scholars who want to learn more about behavioral finance in the future might use this work as a reference. The researcher has identified topics that require additional investigation at the

study's end. Future scholars and researchers will use this as the foundation upon which to build when they formulate their research problems.

- More research is necessary to determine how financial literacy affects the choices individual investors make while making investments at the Nepal Stock Exchange. It should determine whether the multinomial logistic regression approach will be significant in addition to comparing the results nationally, ideally with a larger sample size for improved accuracy.

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