MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Degree of Master of Business Studies (MBS)

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have not researched and submitted the final draft of dissertation entitled **MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET** the work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF THE REPORT COMMITTEE

Mr. Gokul Shahi has defended research proposal entitled **MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET** the research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor **Joginder Goet**, submit the dissertation for evaluation and vice-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET** presented by Mr. **Gokul Shahi** a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva- Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Perfection is anything can hardly be thought of knowing the universal fact "Human is Error", I Have taken utmost care to avoid errors, but I know they are inescapable, so I shall be obliged if they are forgiven.

Gokul Shahi

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ABBREVIATIONS

ADB/N:	Agriculture Development Bank of Nepal
ANZG:	Australia and New Zealand Banking Group
BOK:	Bank of Kathmandu
C.V:	Coefficient of Variance
CAI:	Credit Agricola Indosuez
CG:	Company Goodwill
CP:	Company Performance
CS:	Company Sector
DBC:	Dubai Bank Limited
i.e.:	That is
ID:	Investment Decision
Ltd:	Limited
MI:	Market Information
MVPS:	Market Value Per Share
NP:	Net Profit
NWPS:	Net Worth Per Share
QM:	Quality Management
RBB:	Rastriya Banijya Bank
S.D:	Standard Derivation
S.E:	Standard Error
SBI/N:	State Bank of India/Nepal
SCBNL:	Standard Chartered Bank Limited
SCBT:	Siam Commercial Bank of Thailand
SDK:	Sainik Drabya Kosha

ABSTRACT

Investors channel their funds and savings into various sectors with the goal of maximizing their wealth while ensuring safety and minimizing risk. The fundamental objective of any investment is to achieve the highest possible return with the least amount of risk. With increased financial literacy, individuals are more discerning about their investment choices and seek opportunities that offer better returns than traditional options. Bank fixed deposits, once a popular choice for conservative investors, are becoming less attractive due to their low interest rates. In many cases, these rates are outpaced by inflation, resulting in negative real returns. Consequently, investors are exploring alternative avenues that potentially offer higher returns. To achieve better returns, many are turning to investments in productive sectors such as industry, trading, services, and finance. These sectors often provide more substantial growth opportunities compared to the modest returns of fixed deposits. Investors are also diversifying their portfolios by investing in various forms of assets, including equities, bonds, and stocks, which can offer better returns but come with different levels of risk. Overall, the shift from traditional savings methods to more dynamic investment strategies reflects a broader trend towards seeking higher yields and managing risk more effectively in today's economic environment.

Keywords: Investors Perception, Investment Decision, Quality Management, Company Goodwill

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Investors play a crucial role in various investment sectors by channeling their funds and savings with the goal of maximizing returns while managing risks. Traditionally, many investors have favored bank fixed deposits, but dissatisfaction has emerged due to the low interest rates that often fall below the inflation rate. As a result, investors are increasingly turning to more dynamic sectors such as industry, trading, services, and banking to seek higher returns (Keown & Petty, 2009).

Investment decisions are inherently complex due to the uncertainty of future returns. Key factors include time and risk. Investors aim to balance these factors according to their risk tolerance and return expectations. For instance, investing in stocks can yield dividends and capital gains, but these returns are uncertain compared to the more stable but lower returns offered by fixed-income securities (Sharpe, Alexander, & Bailey, 2002). Despite these risks, equities are attractive to many investors who anticipate that stock prices will rise. Evaluating stocks involves analyzing financial statements, though not all investors perform thorough analysis before making investment decisions (Gitman, 2003).

In recent years, investing in Nepal has become riskier due to economic instability, high inflation, political turmoil, and insurgency. These conditions have led investors to seek safer investment options like gold and savings deposits. Understanding investment strategies that can manage these risks is essential. This study aims to offer insights into rational investment decision-making by applying the Capital Asset Pricing Model (CAPM), which can assist investors in navigating uncertain environments (Yashaswini, 2019).

Investment options are broadly categorized into real and financial assets. Real assets include tangible items such as property, machinery, and equipment used in production, while financial assets involve instruments like stocks and bonds that represent claims on real assets.

Real investments usually require significant capital and are less liquid compared to financial investments, which are typically traded in financial markets (Brigham & Houston, 2001). The distinction between saving and investing is important; saving involves setting aside funds, while investing uses these funds to acquire assets expected to generate future returns. Investment is a critical component of economic development, involving a trade-off between current consumption and future benefits. Factors such as time and risk are central to investment decisions, with different investments offering various combinations of these attributes (Sharpe, Alexander, & Bailey, 2002).

Financial markets are essential for transferring funds from surplus to deficit units, enhancing economic efficiency and growth. These markets are divided into money markets, which handle short-term debt instruments, and capital markets, which focus on long-term securities like stocks and bonds (Gitman, 2003). Investors may participate directly or indirectly through intermediaries such as fund managers, which helps streamline the investment process.

Equity investments offer potential for capital gains and dividends but come with associated risks. This study explores investor attitudes towards equity investments, focusing on their risk tolerance and preferences across different demographics such as gender, age, income, education, and occupation. Understanding these factors can provide valuable insights into investment decision-making and identify key influences on investment choices (Luckett, 1984). This research aims to clarify how investor perceptions affect their decisions and offer guidance for making informed investment choices in a volatile market environment (Sharpe, Alexander, & Bailey, 2002).

In today's competitive financial landscape, investors have access to a range of investment opportunities. However, many still favor equities as their preferred choice. This preference is often due to the relatively low amount of time required for trading and the high liquidity associated with equity investments. This study aims to explore how investors' perceptions influence their investment decisions and the underlying reasons for these choices, considering various situational factors.

1.2 Problem Statement

Investing carries inherent risks and varying levels of profitability. The challenge often lies in selecting the optimal investment from numerous alternatives, each with its own risk-return profile. Unlike a straightforward choice, investment decisions involve balancing potential returns against acceptable risks, and no investment is entirely without risk. Effective decision-making in this context requires analyzing historical market trends and forming educated predictions about future developments, even though perfect forecasts are elusive.

In Nepal, the stock market, specifically the Nepal Stock Exchange (NEPSE), is relatively new and underdeveloped compared to more established markets. Characterized by low trading volumes, a lack of professional brokers, and limited price movements, the Nepalese stock market is still in its nascent stages. Furthermore, the available research predominantly focuses on government-owned enterprises, leaving a gap in studies related to private companies listed on NEPSE.

Nepal's capital market remains relatively small, with few brokers and listed companies, minimal transaction volumes, and a general lack of investor awareness about market dynamics. This nascent stage means that any malpractices or irregularities can significantly impact the market and national economy, potentially eroding investor confidence and causing long-lasting damage.

The initial public offering (IPO) process in Nepal faces several obstacles. Unlike in developed countries where public offerings are well understood, Nepal experiences a significant economic disparity between affluent and average investors. Effective portfolio management, which includes diversifying investments in various financial instruments, could help bridge this gap by providing small investors with opportunities for passive income. This study aims to assess how investor perceptions vary across different demographic factors and to understand their implications for investment decisions.

As the Nepalese capital market continues to evolve, it is crucial to address the challenges of investor sentiment and misinformation. The market's sensitivity to rumors and the potential

loss of investor confidence underscore the need for robust financial education and awareness. Research indicates that financial literacy plays a significant role in shaping investment decisions and protecting investors from market manipulation (AL-Tamimi & Kali, 2009). Therefore, this study also evaluates the level of investor awareness regarding IPOs in Nepal, aiming to provide insights into how improved financial knowledge can influence investment behaviors and contribute to a more stable and informed market environment.

Significant changes have taken place in the primary market, notably the transition from lengthy in-person queues to an efficient online application system for primary issues. This modernization has considerably reduced the time required for allotment and listing of securities, enhancing market liquidity and lowering the costs associated with issuing securities. Despite these advancements, many retail investors in Nepal exhibit speculative behavior. They often make investment decisions without thorough research and tend to sell their stocks shortly after they are listed on NEPSE, focusing on short-term gains rather than long-term value.

This study aims to explore how investors engage with new offerings and to identify the proportion of speculative versus informed investors. It focuses on evaluating individual stocks of select companies listed on NEPSE using the Capital Asset Pricing Model (CAPM). The research employs various statistical methods for stock analysis and includes primary data collected through questionnaires distributed to investors.

Nepal's stock market faces several challenges during the initial public offering (IPO) process. Unlike in developed countries, where public offerings are generally well-understood, the Nepali market struggles with various issues that complicate the IPO process. These obstacles highlight the need for further examination and understanding of investor behavior and market dynamics in Nepal.

i) How do perceptions of market inefficiency influence investment decisions regarding initial public offerings (IPOs) in the Nepali stock market?

ii) What is the relationship between quality management, company reputation, company performance, industry sector, and market information on investors' decision-making processes in both the primary and secondary markets?

iii) What is the effect of Market Inefficiencies and Investment Decision investor's perception on Primary and Secondary Market?

1.3 Objectives of the Study

The general objective of this study is to investigate market inefficiencies and their impact on investment decisions within the Nepali stock market. Specifically, the study aims to:

i) To evaluate investors' perceptions of the primary and secondary markets, focusing on factors such as quality management, company reputation, performance, industry sector, and market information.

ii) To examine the impact of quality management, company goodwill, company performance, company performance, company sector and market information to reasons of investment decision by investors in Primary and Secondary Market).

iii) To analyze the impact of Market Inefficiencies and Investment Decision in Nepalese Stock Market perception on Primary and Secondary Market.

1.4 Rationale of the Study

This study aims to offer a comprehensive understanding of the efficiency of the Nepalese stock market and identify various calendar anomalies affecting stock returns. The insights gained will be valuable to financial managers, analysts, investors, and researchers, potentially aiding in the exploitation of seasonal anomalies for better portfolio diversification.

In Nepal, there is still a lack of awareness regarding public offerings. Thus, this study will be beneficial for individuals seeking knowledge about the primary and secondary markets, and will assist general investors and organizations involved in public offerings. It will also help issuing companies understand investor perceptions and preferences in these markets, and provide crucial insights into factors influencing investor perception and risk-return dynamics.

Furthermore, this research will contribute to the field of behavioral finance, which is relatively underexplored in Nepal. By examining investor psychology and its impact on investment decisions, the study adds valuable literature to the domain. While behavioral finance has been extensively studied internationally, research in the Nepali context remains limited. This study addresses this gap and provides essential information for students and researchers interested in the primary and secondary markets.

Investment decisions are influenced by various factors, including the psychology of investors and the fluctuating nature of stock prices. Investors often seek opportunities in real assets, new ventures, or by starting their own companies, which can affect market dynamics and company management.

1.5 Limitations of the Study

This study is conducted as part of the requirements for the Master in Business Studies program at Tribhuvan University's Faculty of Management. It aims to examine specific aspects of the primary share market in Nepal. Given the limited scope of research available on the Nepalese capital market, and the constraints of time and resources, this study acknowledges several limitations:

i) The study relies solely on primary data.

ii) The analysis is based on a limited dataset.

iii) The sample size of 150 may not fully represent the broader population.

iv) The study focuses exclusively on investors within the Kathmandu Valley.

CHAPTER-II
LITERATURE REVIEW

This chapter reviews existing literature and research relevant to the present study, aiming to identify what has already been explored and how the current research contributes to the field. It encompasses a review of various books, journals, articles, and previous studies to provide a comprehensive understanding of the topic.

2.1 Conceptual and Theoretical Review

Securities, whether in the money or capital markets, are initially issued in the primary market. This is the only market where the issuer, be it a company or government, directly benefits from the sale of securities. Once these securities are traded among individuals, businesses, or institutions, they move to the secondary market, where they are resold. The primary market is for "new" securities, while the secondary market handles "used" or "pre-owned" ones.

This study focuses exclusively on initial public offerings (IPOs) and the processes involved in raising funds through the primary market. Although the secondary market plays a significant role in merchant banking, it is not covered in this manual. Both primary and secondary markets exist in the capital and money markets. A literature review provides a comprehensive overview of existing research and is essential for understanding the current state of a field. Reviewing past studies offers a foundation for the present research.

The concept of 'investment' often evokes images of large sums and major business deals, but it encompasses a broader range of activities. While significant investments involve substantial capital, individuals can also invest smaller amounts wisely. Traditional investments, like those in the stock market, and alternative investments, such as property, are popular. Property investments, though requiring substantial initial capital or loans, can provide rental income and are considered long-term investments.

Investment generally involves sacrificing current funds for future returns, which inherently involves time and risk. The present investment is certain, while the returns are uncertain and subject to risk (Sharpe, Alexander & Bailey, 2002). Investing involves using saved resources to achieve future financial benefits. This often means sacrificing current wealth with the hope of future gains.

Investments can be categorized into real assets and financial assets. Real assets include tangible items like buildings and machinery used in production. These are less liquid and harder to measure compared to financial assets. Financial assets, such as stocks and bonds, represent claims to real assets and can be traded directly or indirectly through financial markets. They play a crucial role in defining income and wealth distribution and are created and destroyed in the normal course of business.

Markets facilitate the buying and selling of products and services, providing accurate information on pricing, volume, supply, and demand. Financial markets, where trading of securities like equity and bonds occurs, play a vital role in transferring funds from those with excess to those in need. They promote economic efficiency by directing funds to productive uses. Financial markets are divided into the money market for short-term debt instruments and the capital market for long-term securities such as bonds and stocks (Gitman, 2003).

2.1.1 Financial Market

A financial system is a framework for channeling financial resources from surplus units (savers) to deficit units (spenders). It encompasses financial assets, markets, and institutions. Financial markets are platforms where transactions involving various financial instruments, such as currency, deposits, cheques, bills, bonds, and debentures, occur. These markets function similarly to goods and services markets but deal with financial assets. Their main role is to efficiently allocate savings to those who can invest in real assets or use funds for consumption.

Financial intermediaries, including commercial banks, insurance companies, credit unions, and pension funds, facilitate this process by transforming direct claims into indirect ones.

They acquire primary securities and issue their own securities to investors, thereby bridging the gap between borrowers and lenders. Effective financial markets are crucial for capital formation and economic growth, as they ensure a systematic transfer of funds to productive ventures.

Financial instruments are used to transfer funds based on the credit needed for both short-term and long-term purposes. Short-term credit, for working capital, is provided by the money market, while long-term credit, for purchasing fixed assets, comes from the capital market. Therefore, financial markets are divided into the money market for short-term debt instruments and the capital market for long-term securities, including bonds and stocks (Gitman, 1988).

2.2.2 The Capital Market

The capital market (CM) is where long-term borrowing and lending occur, linking those who need funds with those who provide them. This market facilitates the transfer of capital between lenders and borrowers, emphasizing long-term commitments from both parties. It encompasses transactions involving long-term debt and equity, using instruments such as common stocks, bonds, and preferred stocks.

In essence, the capital market is the institutional framework for managing long-term financial needs. Businesses require long-term capital for operations and expansion, while governments need substantial funds for public services like education, healthcare, and defense. To raise these funds, both entities issue various securities. The stock exchange plays a vital role in this process by facilitating the mobilization of capital.

Investment institutions, including unit trusts, industrial banks, and insurance companies, also contribute by raising funds through securities and investing them for the long term. Securities in the capital market include both perpetual and long-term instruments, such as debentures and insurance policies. In developing countries, the unregulated capital market often remains prominent, playing a key role in directing funds from savers to borrowers. The capital market

is typically divided into the primary market, which deals with new securities, and the secondary market, where previously issued securities are traded (Luckett, 1984).

2.2.3 Primary Market

The primary market is where securities are offered for the first time, whether by newly established companies or long-standing firms. This market handles the initial sale of securities directly from issuers to the public. The volume of new issues, especially common stock, tends to fluctuate with market conditions rising when the market is strong and declining when it is weak (Weston & Brigham, 1981).

Investment banks play a crucial role in the primary market as intermediaries. When a company seeks new funding, it often works with an investment bank to facilitate this process. Investment banks specialize in the marketing of new securities, providing advice on their design and structuring. Typically, investment banks underwrite new issues, agreeing to purchase the securities from the issuer and resell them to the public. Alternatively, companies may opt for private placements, where they sell securities directly to investors without involving an investment banker. This approach is generally more cost-effective as it bypasses underwriting fees (Luckett, 1984).

2.2.4 Secondary Market

The secondary market is where previously issued securities are traded. This market handles the majority of capital market transactions. When securities are sold in the secondary market, the proceeds go to the current holders of the securities, not to the original issuers. Securities are traded between individual and institutional investors, with the secondary market's main role being to offer liquidity for those purchased in the primary market. After purchasing securities from the primary market, investors use the secondary market to sell them. The secondary market is further divided into over-the-counter markets and registered stock exchanges.

The Over-the-Counter Market

The over-the-counter (OTC) market is where securities that are not listed on formal stock exchanges are traded. This market encompasses all transactions in securities outside of registered exchanges. When a company first issues its securities to the public, they are frequently traded in the over-the-counter (OTC) market. The OTC market includes a wide range of activities conducted by dealers and brokers, which can vary greatly in scale from large firms engaging in international transactions to small, local operations (Brigham & Houston, 2001).

The Stock Exchanges

Stock exchanges are voluntary associations where members gather to facilitate the buying and selling of securities for the public. Only securities listed on these exchanges are traded, and transactions occur through an auction process. These exchanges provide a national marketplace accessible to virtually anyone interested in participating (Luckett, 1984).

Stock exchanges are crucial in mobilizing funds within the capital market. Stock exchanges provide a platform for trading existing securities, creating an active marketplace for corporate shares and other listed assets. Their advantages include better marketability of securities, efficient investment allocation, and support for economic growth and wealth creation. Additionally, they improve investment liquidity, marketability, and diversification. The development of capital markets through stock exchanges fosters the dissemination of information about various securities and upholds rigorous listing standards that benefit investors.

2.2.5 Capital Market in Nepal

Nepal's capital market began in 1936 with the Biratnagar Jute Mill, followed by other mills for rice, cotton, and sugar. In 1937, Tejarath was established to offer loans to government employees, and the first industrial Act was introduced to foster market growth. However, public involvement in industry ownership was restricted, with shares predominantly owned by Rana families. The onset of democracy in 1950 shifted the focus towards reviving struggling industries, leaving capital market development largely neglected.

In 1960, the Panchayat System brought notable changes to Nepal's capital market. By 1964, the country began issuing government bonds, which have since been a significant component of the securities market. In 1974, Nepal's Industrial Policy led to the establishment of the Securities Marketing Centre, designed to mobilize capital for industries. This center was transformed into the Securities Exchange Centre (SEC) in 1976 and operated under the Company Act until the Securities Exchange Act was introduced on April 13, 1984. This new legislation aimed to create a more systematic and regulated market, improving investor protection and encouraging public participation.

The interim government introduced the Citizen's Investment Fund and established NIDC Capital Markets Limited, representing key advancements. As Nepal transitioned to a market-oriented economy, updating the capital market structure became crucial. In response, 1993 saw the reorganization of the SEC into two separate entities: the Securities Board of Nepal (SEBO/N) and the Nepal Stock Exchange Limited (NEPSE) (Shrestha, 1992).

2.2.5.1 Constituents of Capital Market in Nepal

Nepal's capital market includes two main institutions: the Securities Board of Nepal and the Nepal Stock Exchange Limited.

2.2.5.1.1 Securities Exchange Board of Nepal

On May 26, 1993, Nepal created the Securities Exchange Board (SEBON) to oversee and advance the securities market while protecting investor interests. SEBON aims to ensure a well-regulated and orderly market for primary and secondary securities trading and to promote market development with a focus on investor protection. The Board is tasked with advising the government on capital market growth and investor protection. Its responsibilities include approving and overseeing stock exchanges, registering and regulating market participants, supervising public offerings such as mutual and trust funds, and conducting research, training, and educational initiatives related to capital market regulation and development.

SEBON's Governing Board is composed of seven members from diverse sectors. It includes a full-time chairman appointed by the Government of Nepal for a four-year term, the joint secretary from the Ministry of Law, Justice, and Parliamentary Affairs, a representative from the Nepal Rastra Bank, a representative from the Institute of Chartered Accountants of Nepal, a representative from the Federation of Nepalese Chambers of Commerce and Industries, and a market expert appointed by the Government of Nepal (Securities Board of Nepal, Annual Report, FY 2020/023).

2.2.5.1.2 Stock Exchange Limited

The Securities Marketing Centre was founded in 1974 to oversee government bonds. In 1976, it was reorganized into the Securities Exchange Centre (SEC), which began handling public issues for corporate entities. Eighteen years later, in 1993, the SEC was restructured into the Nepal Stock Exchange Ltd. (NEPSE). As a non-profit organization operating under the Securities Exchange Act, NEPSE aims to enhance the marketability and liquidity of government bonds and corporate securities by facilitating transactions through brokers, market makers, and other intermediaries. Before its reorganization, the SEC was the only capital market institution handling brokering, underwriting, managing public issues, and providing market-making services for government bonds and other financial products (Nepal Stock Exchange Ltd., 1994). NEPSE inaugurated its trading floor on January 13, 1994, to support its newly appointed brokers and market makers.

2.2.6 Theories of related Stock Market

A. Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) is a pivotal yet debated theory in stock market behavior and investment decision-making. EMH explores the concept of market efficiency, which refers to how well market prices reflect all available information and adjust instantaneously to new data. In an efficient market, security prices accurately mirror essential variables and represent unbiased estimates of their investment value. The theory posits that as new information emerges, the market rapidly incorporates it, leading to prompt price adjustments. Therefore, security prices are influenced by fundamental factors like earnings, interest rates, dividend policies, and economic conditions, with these variables quickly

impacting the prices. Prices embody all known information, and only new, unpredictable information will alter them. If information were predictable, stock prices would have already adjusted to reflect it. Therefore, new information must be random, leading to unpredictable price changes. Predictable stock prices would allow investors to consistently beat the market, which would challenge the concept of market efficiency (Cheney & Moses, 1992).

The Efficient Market Hypothesis (EMH) also states that any stock that is over or under valued will eventually reach a stable price. This equilibrium price represents the asset's true value as perceived by investors. In a less efficient market, where prices do not adjust swiftly, some investors might exploit knowledge gaps to their advantage. Market efficiency has significant implications for both the economy and investment strategies, as accurate pricing signals are crucial for proper capital allocation. Mispricing leads to incorrect capital distribution. While an efficient market is beneficial from an economic standpoint, it poses a challenge for investors seeking optimal strategies.

In an efficient market, capital flows quickly and accurately to its most productive uses, supporting valuable business ventures and withdrawing from inefficient firms. Efficient capital markets are essential for maximizing national wealth, welfare, and education. Developing countries often face challenges due to inefficient markets, where prices can be manipulated instead of being set by supply and demand. Wealth might be concentrated in the hands of a few, resulting in poor capital distribution. Corruption and lack of public trust can lead to capital being hoarded rather than invested, and investor ignorance can prevent the recognition of promising opportunities (Bhalla, 1997).

James H. Lorie defined an efficient security market as one where prices react rapidly to new information, reflecting current knowledge and minimizing unwise investments. An efficient market means no bargains exist, and investors are unlikely to discover extraordinary returns. EMH is divided into three forms: (i) Weak form, which holds that past prices do not predict future performance, (ii) Semi-strong form, which asserts that all publicly available information is already reflected in stock prices, and (iii) Strong form, which includes all

information, both public and private, suggesting a perfectly efficient market where prices adjust instantly to new information (Cheney & Moses, 1992).

B. The Concept of Stock Valuation

The core of financial management is the concept of value, defined by what a bidder is willing to pay. In a well-functioning market, valuation is straightforward, as market prices serve as fair indicators of value. Various techniques assist in valuing common stock, considering the regular earnings from dividends and capital gains. Key valuation models include the Net Asset Value (NAV), Dividend Discount Model (DDM), and Price-Earnings (P/E) ratio.

NAV is calculated by subtracting current liabilities and long-term debt from the total assets, with the remaining value financed by shareholders' equity. This equity encompasses paid-up capital, share premiums, accumulated profits, and other reserves. NAV per share, or book value per share, is determined by dividing the total NAV by the number of outstanding shares (Alexander et al., 2003).

C. Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM) links the required return on a security to its risk, as measured by beta. It outlines the relationship between risk and expected returns on risky assets and is a cornerstone of modern financial theory. Developed by William F. Sharpe, a 1990 Nobel Prize laureate in Economics, CAPM is based on several key assumptions: investors have a single holding period, seek to maximize expected utility, can borrow or lend at a risk-free rate, and share homogeneous expectations about returns and risks. It assumes assets are perfectly divisible and liquid, with no transaction costs or taxes, and that individual investor actions do not impact stock prices.

According to CAPM, the relevant risk for an individual stock is its impact on the risk of a well-diversified portfolio. The remaining risk, after diversification, is market risk, which is assessed by the degree to which a stock’s price movements align with the overall market (Brigham et al., 1999).

2.2 Empirical Review

Lam et al. (2024) examined the impact of behavioral finance factors on investment decisions within Australasian Real Estate Investment Trusts (REITs). This study compared the influence of behavioral biases with traditional normative decision factors to identify key behavioral issues that could hinder rational asset acquisitions and market efficiency. A triangulation approach was used, involving qualitative case studies of four Australian and New Zealand REITs, followed by an expert review survey to assess the significance of behavioral versus normative factors. The research found that three behavioral factors investor sentiment, anchoring, and overconfidence were as influential as normative factors in investment decisions. However, the heuristic availability of information did not significantly impact experienced REIT managers. The study's findings, based on case studies and a survey of six fund managers, provide a foundation for further research across all Australasian REITs to enhance market robustness. Fund managers are encouraged to be aware of and mitigate the identified behavioral biases, especially investor sentiment, to promote rational investment practices and market efficiency.

Laili et al. (2024) assessed the application of the Capital Asset Pricing Model (CAPM) for investment decisions concerning shares of PT Mustika Ratu and PT Multi Indocitra, which are listed on the IDX for the year 2022. The study emphasizes the importance of investors' ability to analyze and interpret information to guide their investment decisions, ultimately affecting the risk and returns they may achieve. The research aims to evaluate the potential profits and risks, and to classify shares as either efficient or inefficient using the CAPM approach, specifically within the cosmetics sector on the IDX. The methodology combines qualitative analysis with quantitative data, including recent stock prices, interest rates, and the Indonesian Sharia Stock Index, sourced from the Indonesian Stock Exchange, Yahoo Finance, and Bank Indonesia.

Mokni et al. (2024) examined the efficiency of the crypto currency market, focusing on Bitcoin and Ethereum, and investigated the factors influencing market efficiency. While many prior studies have explored the time evolution of crypto currency market efficiency, they often overlook the driving factors. This study addresses this gap by analyzing the time-

varying efficiency of Bitcoin and Ethereum from August 7, 2016, to February 15, 2023, using the Adjusted Market Inefficiency Magnitudes (AMIMs) measure and quintile regression. The findings reveal fluctuations in market efficiency levels for both crypto currencies. The analysis shows that global financial stress negatively impacts AMIMs across all quintiles, while crypto currency liquidity has a positive and significant effect on AMIMs regardless of efficiency levels. Additionally, the impact of money flow on AMIMs is significant when both crypto currencies are efficient. The study also finds that the COVID-19 pandemic significantly increased market inefficiencies across most quintiles.

Albagli et al. (2023) explored the effects of imperfect financial markets and investment inefficiencies, focusing on how noisy information aggregation impacts investment decisions. Market imperfections generate endogenous rents, leading to excessive investment in potential gains and insufficient investment in potential losses. These inefficiencies are particularly pronounced in partial equilibrium when high upside risks are paired with easily scalable investments. In general equilibrium, shareholders' collective efforts to enhance the value of individual firms create a unique externality through price mechanisms, which exacerbate investment distortions related to downside risks while mitigating those associated with upside risks.

Almansour et al. (2023) investigated the role of behavioral finance factors in investment decisions, focusing on how risk perception mediates this relationship. While traditional finance theory posits that stock markets are efficient and reflect all available information, behavioral finance suggests that psychological and emotional factors can influence stock prices. This study examines how behavioral finance factors affect investment decisions in the Saudi equity markets, using risk perception as a mediating variable. An online survey of 150 individual investors yielded 134 valid responses, which were analyzed using structural equation modeling (SEM). The findings indicate that herding, disposition effect, and blue chip bias significantly enhance risk perception. Overconfidence affects investment decisions directly but does not influence risk perception. Risk perception itself has a significant positive relationship with investment decisions. All four behavioral factors indirectly impact investment decisions through risk perception. Conducted within the Saudi Arabian context,

this study may not be applicable to other cultural settings and focuses on only four behavioral factors, potentially overlooking others that could affect risk perception and investment choices. The results underscore the importance of understanding risk perception in investment decisions and suggest that investors should be aware of their behavioral biases, while advisors and policymakers should devise strategies to mitigate these biases.

Jains and Lakshmi (2023) explored the impact of investment inefficiency on expected returns within Indian firms, which often have promoter and family-dominated ownership structures. This setting typically leads to conflicts between majority and minority shareholders. The study investigated how failing to invest according to firm characteristics referred to as investment inefficiency affects the ex-ante measure of expected returns, or the implied cost of capital. The results, based on pooled ordinary least squares (OLS) and a two-step generalized method of moments (GMM), indicated a positive relationship between investment inefficiency and expected returns. The analysis covered listed Indian firms from 2016 to 2021.

Mohammad and Salhy (2023) studied the impact of behavioral finance and financial education on investment decisions in the Kurdistan region of Iraq for the years 2020-2022. The research used regression analysis to assess how behavioral biases and financial literacy influence investment choices among 200 regional investors. Findings revealed that behavioral biases, such as loss aversion and overconfidence, significantly affected investment decisions. Investors with higher financial education levels were less prone to these biases, highlighting the positive role of financial education in improving investment behavior. Statistical significance was confirmed with a p-value of less than 0.05. The study suggests that increasing financial education can mitigate the effects of behavioral biases, which has implications for regulators, banks, and individuals aiming to improve investment practices and expand financial services in the region.

Paneru (2023) investigated factors influencing investment decisions in Nepal, focusing on the efficiency of the Nepal Stock Market with an emphasis on weak and semi-strong forms of market efficiency and the impact of weekends on stock returns. The study analyzed four key

variables earnings announcements, dividend announcements, insider information, and intrinsic stock value using a sample of 86 NEPSE investors and secondary data from 20 listed companies. The research employed event study methodologies, including mean adjusted return (MAR), market adjusted model (MKRM), and risk-adjusted model (RAR) for semi-strong form efficiency, and non-parametric tests (run and autocorrelation) for weak form efficiency. The results indicated that while the Nepalese stock market is weak form efficient, it is not semi-strong form efficient, with exceptions for specific companies. Intrinsic value and earnings announcements were found to significantly influence investment decisions, while dividend announcements and insider information had no notable impact. There was no observed weekend effect on stock returns. These insights are valuable for investors, policymakers, and brokerage firms and suggest areas for further research.

Acharya (2022) investigated the impact of behavioral factors on individual investor decision-making at the Nepal Stock Exchange (NEPSE). While finance has long been studied, behavioral finance which incorporates psychological aspects into financial decision-making is a relatively new field. This research explores how behavioral biases affect investor decisions, focusing on the NEPSE. The study reviewed relevant theoretical and practical literature and employed a quantitative methodology, using a survey distributed to 400 individual investors. Of the responses, 204 were deemed usable for analysis. The reliability of the data was confirmed, with Cronbach's Alpha values ranging from 0.68 to 0.806. The study found that many investors were influenced by bonuses, dividends (36.7%), and short-term trading (33.8%). The correlations between investment decision-making and biases such as regret aversion, loss aversion, representativeness, price anchoring, and overconfidence were positive and strong, ranging from 0.613 to 0.765. The regression analysis confirmed that the model and variables used were statistically significant at a 95% confidence level.

Ahmad and Wu (2022) examined herding behavior in investment management and its impact on perceived market efficiency in Pakistan. The study employed a deductive approach based on behavioral finance theory, using a questionnaire to collect data from 309 investors on the Pakistan Stock Exchange (PSX). Data analysis was conducted with SPSS and AMOS, and structural equation modeling (SEM) was used to test hypotheses. The findings reveal that

herding behavior negatively affects perceived market efficiency and investment performance while positively influencing individual investment decisions. This study is notable for its focus on the relationship between herding behavior and investment management in an emerging market, contributing new insights into behavioral finance and its effects on investment decisions.

Kong et al. (2022) explored how economic policy uncertainty (EPU) affects firm investment decisions, using data from Chinese A-share listed companies from 2007 to 2019. The study found that macro-level EPU tends to reduce both the scale and efficiency of firm investments, increasing the risk of over- or under-investment. Conversely, local EPU generally increases investment scale but also heightens the risk of inefficient investments. The study also observed that macro EPU boosts R&D investments while hindering green investments, whereas local EPU has the opposite effect. Moreover, macro EPU significantly harms firm performance, while local EPU has a lesser impact. The paper suggests that to mitigate these issues, governments should stabilize the macroeconomic environment and firms should optimize investment strategies and enhance risk management practices.

Suresh (2021) investigated how financial literacy and behavioral biases impact investment decision-making. Financial literacy aids in making informed investment choices, while behavioral biases including heuristic bias, framing effects, cognitive illusions, and herd mentality can lead to irrational decisions. This study assessed the combined effect of these factors using a questionnaire and structural equation modeling (SEM). Findings revealed that heuristic biases significantly contribute to behavioral biases in decision-making, whereas framing effects, cognitive illusions, and herd mentality were negatively associated with such biases. The study highlighted that investors are more influenced by heuristic biases, underscoring the importance of financial literacy in shaping investment decisions.

Shakya (2021) examined the impact of behavioral biases on stock investment decisions among Nepalese investors. Behavioral finance explores how cognitive biases affect investment choices, with this study focusing on biases like anchoring, overconfidence, disposition effect, and herding behavior. Conducted within the Kathmandu Valley, the

research used a limited set of analytical tools and provided insights into how these biases affect individual investment decisions. The study suggests expanding future research to include corporate investment decisions and other significant behavioral biases.

Dangol (2017) explored equity investors' perceptions of market efficiency in Nepal using a structured questionnaire. The survey targeted three informed investor groups: academicians, chartered accountants, and corporate officials. The findings indicated that Nepalese investors recognized weak-form and semi-strong form market efficiencies but rejected strong-form efficiency. They believed dividend announcements significantly influence stock prices and supported the dividend signaling effect. The study also noted that investors' confidence in their ability to outperform the market was a primary driver of their investment decisions.

Dangol (2012) analyzed stock market efficiency in Nepal by testing the random-walk hypothesis and weak-form efficiency of the All Share Price Index (ASPI) and Sensitive Index (SI) on the Nepal Stock Exchange (NEPSE) from September 13, 2006, to May 13, 2010. The study used Lo and MacKinlay's variance-ratio tests and runs tests, finding that the random-walk hypothesis was strongly rejected for both indices. This result indicates a lack of weak-form efficiency, suggesting that market participants might predict future prices and achieve abnormal returns.

Table 1

Summary of empirical review

S.N.	Author and Date	Methodology	Findings
1	Mokni et al. (2024)	Quintile regression, AMIMs measure on Bitcoin and Ethereum	Time-varying efficiency; global financial stress affects inefficiency; liquidity and money flow impact efficiency.
2	Laili et al. (2024)	Capital Asset Pricing Model analysis on IDX-listed companies	Evaluated risks and returns; classified shares as efficient or inefficient based on CAPM.
3	Lam et al. (2024)	Qualitative case studies, expert review survey on	Behavioral biases (sentiment, anchoring, and overconfidence) are

		REITs	significant in investment decisions.
4	Paneru (2023)	Event study method, regression analysis on NEPSE; survey on investor decisions	Weak form efficiency in NEPSE; intrinsic value and earnings announcements impact decisions; no weekend effect.
5	Mohammad and Salhy (2023)	Regression analysis on behavioral biases and financial education	Behavioral biases significantly impact investment choices; financial education mitigates biases.
6	Jains and Lakshmi (2023)	OLS and GMM analysis of investment inefficiency and expected returns	Positive relationship between investment inefficiency and expected returns; agency problem affects outcomes.
7	Almansour et al. (2023)	SEM analysis of behavioral finance factors and risk perception	Herding, disposition effect, and blue chip bias affect risk perception; overconfidence affects investment decisions.
8	Albagli et al. (2023)	Analysis of noisy information aggregation in investment	Market imperfections lead to overinvestment in upside risks and underinvestment in downside risks.
9	Kong et al. (2022)	Analysis of EPU effects on firm investment using Chinese A-share data	Macro EPU inhibits investment scale and efficiency; local EPU affects R&D and green investments differently.
10	Ahmad and Wu (2022)	Questionnaire, SEM analysis of herding behavior on PSX	Herding behavior negatively impacts market efficiency and performance; influences investment decision-making.
11	Acharya (2022)	Questionnaire survey, SEM analysis of biases (regret aversion, loss aversion, etc.)	Strong correlations between biases and investment decisions; model statistically significant with high R^2.
12	Shakya (2021)	Analysis of anchoring, overconfidence, disposition effect, herding behavior	Identified biases influencing investment decisions; focused on selected business sectors in Kathmandu Valley.

13	Suresh (2021)	SEM analysis of financial literacy and behavioral biases	Heuristic bias significantly affects decision-making; framing effect, cognitive illusions, herd mentality have negative impacts.
14	Dangol (2017)	Structured questionnaire, judgmental sampling	Investors believed in weak-form and semi-strong efficiency; dividend announcements significant; discounting dividend irrelevance theory.
15	Dangol (2012)	Variance-ratio tests, runs tests on daily returns of ASPI and SI	Rejected random-walk hypothesis; weak-form efficiency not present; opportunities for abnormal returns.

2.3 Research Gap

In recent decades, the financial market has experienced unexpected and sudden economic disturbances that have influenced stock returns. This study focuses on how tangible and intangible information impact the Nepalese stock market and explores investors' perspectives on market issues in Nepal. Key findings include the influence of capital structure and average pricing methods on investment decisions, the impact of political and media coverage, the role of beliefs in luck and financial education, and the importance of trend analysis for market movements. It concludes that both tangible and intangible information are crucial for success in the Nepalese capital market. The research, conducted primarily for academic purposes, targeted investors in the Kathmandu district due to its large investor base and the convenience of sampling. Notably, few studies have addressed investor attitudes toward equity markets in this area, especially considering the recent complexities introduced by the Covid-19 pandemic. This study also addresses research gaps related to regional focus, such as limited exploration of attitudes towards equity markets versus mutual funds and insurance, and changes in investment methods, with a shift from physical transactions to digital platforms like demat accounts and mobile applications.

CHAPTER-III
RESEARCH METHODOLOGY

This chapter outlines the research design and methodology employed in the study to gather and analyze data effectively. It begins with an overview of the research plan and design, followed by details on the population and sample selection. The chapter also covers the data collection procedures and instruments used, as well as the tools and techniques for data analysis. Overall, it provides a comprehensive explanation of the research methodology applied in the study.

3.1 Research Design

The study relies on primary data and employs both descriptive and causal-comparative research designs. It focuses on investor perceptions regarding initial public offerings (IPOs) and examines a sample of 408 investors from the Kathmandu District. These methodologies are suitable for exploring the cause-and-effect relationships among various variables. The data collected is analyzed and presented using SPSS software.

3.2 Population and the Sample of Study

In research, the term "population" refers to the entire group about which conclusions are to be drawn. Due to the impracticality of gathering detailed information from every member of a large population, a representative subset, known as a sample, is used instead. This study focuses on investor perceptions of initial public offerings (IPOs) in the Nepalese context, specifically within the Kathmandu District. To gauge public response to IPOs, data was collected from 408 small-scale investors in Kathmandu Valley, out of a total of 80 brokers registered with NEPSE. The entire investor population in Kathmandu district was considered, with a sample size of 408 selected using convenience sampling. Convenience sampling involves selecting samples based on ease of access rather than random or probabilistic methods. Pre-testing of the questionnaire and descriptive research were conducted as part of the study.

3.3 Nature and Sources of Data

This study utilizes primary data to address its specific objectives, which was gathered through a structured questionnaire survey. Various primary data collection methods, including interviews, observations, and experiments, are available; however, this research focused on using a questionnaire. The survey, designed to assess investor perceptions of IPOs in Kathmandu District, employed a 5-point rating scale, ranging from 1 (Strongly Agree) to 5 (Strongly Disagree).

3.4 Questionnaire

The structured questionnaires were distributed via email to ensure completeness and minimize missing data. This method also allowed the researcher to address any questions respondents might have about the questionnaire. The source of the questionnaire is Achut Gnawali (2022).

3.5 Data collection procedure and instrument

The data needed for this research were gathered from primary sources through online methods. Specifically, information was collected using questionnaires distributed to respondents within the Kathmandu district. After collecting the data, it was organized and presented in tabular form. Data analysis was conducted using SPSS and Microsoft programs, along with various statistical tools to ensure a comprehensive evaluation.

3.6 Data processing procedure and data analysis methods

Various statistical tools, including mean, median, standard deviation, and correlation, were employed to analyze and interpret the data collected from primary sources. SPSS was utilized for this analysis, and data were processed using frequency distribution tables within the SPSS software. Correlation techniques were applied to examine the strength of relationships among variables. The analysis involved a thorough examination of the data to draw conclusions based on established principles and sound logic. Additionally, open-ended questions were included in the questionnaires. Comparative analysis was performed using percentages, graphs, and charts, with several statistical tools applied to present the comparative results.

Percentage

Percentage is a valuable tool for comparing two quantities or variables. Essentially, a percentage represents a fraction with 100 as the denominator, with the numerator indicating the rate or proportion. This method allows for a clear and standardized way to express and compare values.

Correlation analysis

Correlation is a key statistical tool that measures the strength and direction of the relationship between two or more variables. It indicates how changes in one variable are associated with changes in another, but it does not imply causation. Correlation values range from -1 to +1. A correlation close to +1 suggests a strong positive relationship, where changes in one variable closely align with changes in another. Conversely, a value close to -1 indicates a strong negative relationship, while a value near 0 denotes a weak or no relationship between the variables.

Regression Analysis

Regression analysis involves statistical methods for assessing the relationship between a dependent variable and one or more independent variables. It serves two main purposes: first, it is commonly used for predicting and forecasting outcomes, which overlaps with machine learning techniques. Second, regression can help infer causal relationships between variables, although this application depends on the study's design and the context of the data.

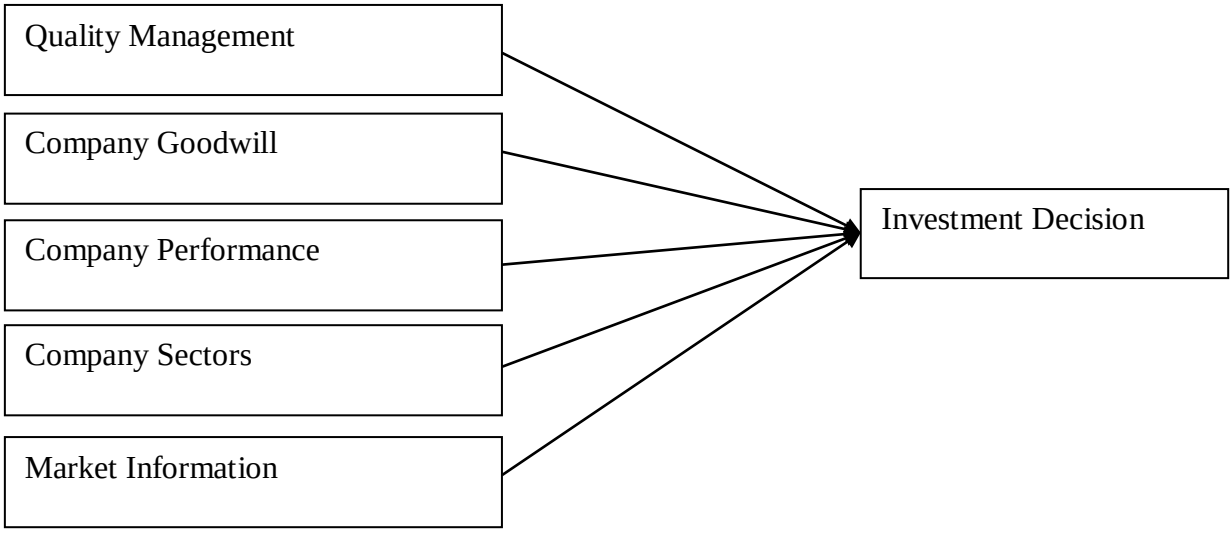
3.7 Research Framework and Definition of Variables

A conceptual framework is a visual tool that outlines the anticipated relationships between variables within a financial context. Also known as a conceptual model or research model, it illustrates how different variables are expected to interact, showing the presumed cause-and-effect dynamics.

Figure1

Research Framework

Independent Variables **Dependent Variable**



(Sources: Gnawali, 2022)

Variables:

Quality Management

Quality management is the act of overseeing all activities and tasks that must be accomplished to maintain a desired level of excellence. This includes the determination of a quality policy, creating and implementing quality planning and assurance, and quality control and quality improvement.

Company Goodwill

Goodwill is an intangible asset that accounts for the excess purchase price of another company. Goodwill is calculated by taking the purchase price of a company and subtracting the difference between the fair market value of the assets and liabilities.

Company performance

Company performance is a combination of both the financial and non-financial aspects of an organization. These aspects gauge how well a company is executing their business strategy and can be looked at to identify areas for improvement.

Company sectors

Company sector is an area of the economy in which businesses share the same or related business activity, product, or service.

Market Information

What is conveyed or represented by a particular arrangement or sequence of things." genetically transmitted information"

Investment decision

It relates to as how the funds of a firm are to be invested into different assets, so that the firm is able to earn highest possible return for the investors.

CHAPTER IV
RESULTS AND DISCUSSION

This chapter includes data presentation and analysis. The data and information collected from the respondents are presented and analyzed according to response of respondents. All the questionnaires are distributed and collected by the researcher own self. The collected data are analyzed using different tools and techniques. Results found from the analysis are systematically presented and carefully interpreted or explained in the following sections.

4.1 Nature of the Respondents

Respondents are taken from Kathmandu valley as a random sampling method. The tenure of the respondents in their respective gender, age, occupation, is presented in the following manner.

Table 2

Respondent Profile

Variables	Component	Frequency	Percent
Gender	Male	234	57.4
	Female	174	42.6
	Total	408	100
Age Group	18-25	116	28.4
	26-35	84	20.6
	36-45	115	28.2
	46-59	66	16.2
	60+	27	6.6
Education	High School	144	35.3
	Bachelor degree	121	29.7
	Master degree	77	18.9
	Doctoral degree	66	16.2
	Total	408	100
Occupation	Business	46	11.3

	Student	140	34.3
	Government Employer	154	37.7
	Private employer	68	16.7
	Total	408	100.0
Investment amount	1-10 thousand	46	11.3
	10-30 thousand	116	28.4
	30-50 thousand	157	38.5
	50 thousand and above	89	21.8
	Total	408	100
Apply IPO	Yes	222	54.4
	No	186	45.6
	Total	408	100
Open Demat	Yes	184	45.1
	No	224	54.9
	Total	408	100
Reason for Investment	Liquidity	46	11.2
	Dividend Purpose	139	34.1
	Capital Gain	121	29.7
	Quick Return	102	25.0
	Total	408	100

(Source: Field Survey, 2024)

Table 2 shows that out of 408 individuals surveyed, 234 were male and 174 were female. The majority of individuals fell into the age group of 36-45, with 115 individuals (28.2%) falling into this category. The most common level of education was high school, with 144 individuals (35.3%) having this level of education. The largest occupation group was government employer, with 154 individuals (37.7%) falling into this category. The most common investment amount was in the range of 30-50 thousand, with 157 individuals (38.5%) investing in this range. Over half of the individuals surveyed (54.4%) applied for a public offer, while 45.6% did not. Only 45.1% of individuals opened a Demat account. The

most common reason for investment was for dividend purposes, with 139 individuals (34.1%) citing this reason.

The analysis of gender shows the highest percentage was found in males with a result of 57.35 percent as the major respondents in this research and 408 respondents whereas females have 42.65 percent. It can be concluded that the majority of respondents were male (57.35 %). The table investigates the age level, where the highest percentage was the age of 18-25 years old at 28.43 percent, followed by age of 36-45 years, which was 28.19 percent. Similarly, the age of 26-35 years was 20.59 percent o. The aged 46-59 years old were 16.18 percent and the lowest percentage is the aged above 60+ years old at 6.62percent, respectively. It can be concluded that the majority of respondents were age group 18-25 (28.43%).

The result of educational level in percentage and frequency, based on the result, the highest percentage was for High School, which has 35.29 percent respondents, followed by Bachelor's Degree, which has 29.66 percent respondents. Similarly, the Master's Degree has 18.87 percent respondents and the Doctoral degree has the lowest percentage of 16.18 respondents. It can be concluded that the majority of respondents were in high school (35.29%). This study disclose that 34.31 % of the respondents are involved in students, similarly both 11.27 % of respondents are business sectors and16.67% respondents are private employer but 37.75% of the respondents are government job. It can be concludes that most of respondents response for student and government employer highest investment on Primary Market.

The result reveals that, 28.4% of the respondents' verdicts on them invest Rs.1-10 thousand in Primary Market. However 20.6% of the respondents said that, they invest in Primary Market and the amount range are Rs.10 to 20 thousand, comparably 28.2% of the respondents are invest in Primary Market the range aboutRs.20 to Rs. 30 thousand just as 16.2% of the respondents are invest bulk amount likely to the range have Rs. 30 to Rs.50 thousand, and 6.6% of the respondents are said that above Rs50 thousand. The final conclusion shows that, the small skill investors are very high in Nepalese share market in

current scenarios likely to they invest in IPO within the range amount is Rs.1 to 10 thousand investment in Primary Market. The 54.41% of respondents are using mero share to apply the Primary Market. Where only 45.59% of respondent are not using mero share application, they are using other alternative to apply the application.

In other hand among the 408 respondent 222 respondent are using mero share and remaining 186 responding are not using mero share. The 184 respondents i.e. is 45.10% are said to that it is necessary to open demat account but 224 respondent thinks that it is not necessary to open demat account, where it percentage is 54.90% among the respondent. In the data shows the reason for investment in secondary market from the respondent. Among the 408 respondent 11.27% respondent are investment for the liquidity which ratio is very low rather other people, next other reason also around to 34.07% respondent, second biggest reason to invest is to capital gain where 29.66% respondent are applying. Lastly, 25.00% respondent are using for investment in share for dividend purpose.

4.2 Descriptive Analysis

Descriptive statistics were employed to analyze the data gathered from respondents. This section provides the frequency distribution for each service dimension, considered as dependent variables, and includes details such as the minimum, maximum, mean, and standard deviation. The ratings for these factors were scaled from 5 (Strongly Agree) to 1 (Strongly Disagree).

4.2.1 Assessment of position of investor's perception in quality management.

In this research, Quality Management serves as the independent variable and is evaluated through three distinct factors to determine its impact on investment decisions. These factors include: QM1 (Company Legitimacy), QM2 (Founder CEO), and QM3 (Human Resources).

Table 3

Quality Management

Quality management	N	Mean	Std. Deviation
Do you consider that legitimacy of company affects in your investment in secondary market.	408	3.96	0.955
Do you consider that founder CEO affects in your investment of Primary and secondary market?	408	3.91	0.948
Do you consider that human resource value affects in your investment in secondary market?	408	3.66	1.114
Average Mean	408	3.84	1.005

(Source: *Field* Survey, 2024)

Table 3 shows descriptive data on the quality management that investors take into account when choosing to invest in a secondary market. All indicate value is greater than 3 on a scale of 1 to 5, indicating that investors give quality management considerable consideration when making secondary market investments. The mean values for the first two questions (3.96 and 3.91, respectively) are higher than the mean value for the third question (3.66). However, it's worth noting that the standard deviation for the third question (1.114) is larger than the standard deviation for the first two questions (0.955 and 0.948, respectively), indicating that there was greater variability in the responses to the question regarding human resource value.

Overall, the average mean value for all three questions is 3.84, indicating that investors consider quality management to be an important factor when making an investment in a secondary market and Primary.

4.2.2 Assessment of position of investor's perception in Consumer Goodwill

One of the research's independent variables is company reputation. To determine how company goodwill relates to investment choices, five related criteria were examined. The

five elements are: CG1=Historical Background; CG2=Age of the Company; and CG3=Current Financial Position. The factors were rated on a scale of 5 (Strongly Agree) to 1 (Strongly Dis- Agree).

Table 4

Consumer Goodwill

Quality management	N	Mean	Std. Deviation
Do you consider that legitimacy of company affects in your investment in a secondary market and Primary.	408	4.13	1.019
Do you consider that founder CEO affects in your investment of a secondary market and Primary?	408	3.87	1.212
Do you consider that human resource value affects in your investment in a secondary market and Primary. ?	408	3.47	1.125
Average Mean	408	3.82	1.12

(Source: *Field* Survey, 2024)

Table 4 shows descriptive statistics of the company's goodwill that investors take into account when choosing to invest in a secondary market and Primary. The fact that all of the average values are greater than 3 out of 5 points suggests that they are all above average, which indicates that investors significantly evaluate business goodwill when making a secondary market and primary market. The average value of each element is less than three, a sign that investors carefully analyze each metric of corporate reputation before making an a secondary market and primary market. The fact that the standard deviation of every element is smaller than 2 shows that all investors have essentially the same viewpoint and are unwilling to take risks. The average mean value for company goodwill is 3.82, and each factor's standard deviation is more than belongs to 1.

4.2.3 Assessment of position of investor's perception in Consumer Performance

One of the research's independent variables company performances. To determine how company performance related criteria impacted investment choices, five factors were examined. The five components are: CP1=Dividend Premium, CP2=Earnings per Share, and CP3=Return on Investment. The factors were rated on a scale of 5 (Strongly Agree) to 1 (Strongly Dis- Agree).

Table 5

Consumer performance

Consumer performance	N	Mean	Std. Deviation
Do you consider that dividend premium matter more for your investment in secondary Market?	408	3.78	1.170
Do you consider that earning per share (EPS) make investors to invest in secondary Market?	408	3.92	1.219
Do you consider that return on investment (ROI) make investors to invest in secondary Market?	408	3.76	1.191
Average mean	408	3.82	1.193

(Source: *Field* Survey, 2024)

Table 5 shows descriptive data about company performance that investors take into account when deciding to invest in a secondary Market. All of the average values are greater than 3 on a scale of 1 to 3, which indicates that investors should give careful consideration to company performance before making secondary Market investments. The lowest mean for CP3 is 3.76, indicating that before investing in a secondary Market, investors pay less attention to price premium than other factors. The similar mean values of CP1 and CP3 indicate that investors give each of the two aspects careful consideration. These mean values range from 3.78 to 3.92.If the standard deviation is more than 1, it means that the respondents are not all alike. The standard deviation for the company performance average is 1.193while the average mean value is 3.82.

4.2.4 Assessment of position of investor's perception in Company Sectors

There are five independent variables in the business sector that are connected to the dependent variable, the investment choice. To determine how the Company Sector associated characteristics impacted investment choices, three criteria were examined. The six elements are as follows: CS1: Investment in the banking sector; CS2: Investment in insurance and CS3: Investment in the hydropower sector.

Table 6

Company Sectors

Company sectors	N	Mean	Std. Deviation
Do you consider that investment in banking sector of secondary market is better?	408	3.91	1.078
Do you consider that investment in insurance company of secondary market is better?	408	3.84	0.991
Do you consider that investment in hydropower company of secondary Market is better?	408	4.04	1.116
Valid N (listwise)	408	3.93	1.062

(Source: *Field* Survey, 2024)

Table 6 demonstrates the evaluation of investor positions and perceptions in the business area that investors take into consideration when making a secondary Market investment decision. With the exception of the hydropower industry (CS1, CS2 and CS3) has more than 3 mean values. Which means that, with the exception strongly analyze the entire industry before making an investment decision? The statement "Do you feel that investment in insurance of secondary Market is better?" has a mean value of 3.91 and a standard deviation of 1.078. This indicates that investors place the greatest importance on this industry. Investors give the banking industry extremely little thought, where the lowest mean value is 3.84 and the highest standard deviation is 1.116. The average mean value for the hydropower company is 3.93, with a 1.062 standard deviation all accepted.

4.2.5 Assessment of position of investor's perception in Market information

One of the research's independent variables is market knowledge. To determine how market knowledge affects investing choices, five relevant criteria were examined. The three factors are: MI1: Media commentary; MI2: Future forecasting and MI3: secondary Market historical trends.

Table 7

Marketing Information

Marketing information	N	Mean	Std. Deviation
Do you consider that comment on media affects in your investment in secondary Market?	408	3.95	1.126
Do you consider that future prediction and forecast affect your investment in secondary Market?	408	3.59	1.134
Do you consider that the past	408	3.91	1.072
Average mean	408	3.82	1.109

(Source: *Field* Survey, 2024)

Table 7 shows the fact that each question's average is greater than 3 indicates that before making an investment decision, investors carefully evaluate market information. The overall mean value for market information is 3.95 with the standard deviation of 1.126, which indicates that investors have a high level of consideration with market information. The standard deviation of all the factors ranges from 1.072 to 1.134, indicating that all investors have nearly the same opinion. All standard deviations that are greater than 1 indicate that there is no similarity of respondent. If any standard deviation is more than 1, it means that the respondents are not all alike.

4.2.6 Assessment of positions of investor's perception in Investment decision

In this study, the investor's investment choice is regarded as the dependent variable and a number of other ideas as the independent variables. Such an independent variable's link to the

dependent variable is discussed above separately. In order to analyze the respondents' perceptions in making investment decisions, four questions were asked of them. The questions are PID1: Do you think individual investors face greater risk when investing in IPOs, PID2: Do you think IPOs are a risk-free type of investment, and PID3: Do you consider that IPOs are guaranteed way of making money?

Table 8

Investment decision

Investment decision	N	Mean	Std. Deviation
Do you conclude that individual invested have more risk in secondary Market investment?	408	3.99	1.030
Do you consider that IPOs are risk free from of investment?	408	4.28	0.851
Do you consider that secondary Market is guaranteed way of making money?	408	3.85	1.113
Average mean	408	4.04	0.998

(Source: *Field* Survey, 2024)

Table 8 Shows evaluation of investor situations and perceptions of respondents' IPO investment decisions with the exception of PID2, all mean values are greater than 3 on a 5-point scale, indicating that respondents give all secondary Market investment factors substantial consideration. The statement "Do you feel that individual investor have more risk in investing secondary Market ." has a mean value of PDI2 of 4.28 and a standard deviation of 0.851, indicating that investors have a modest level of consideration for this dimension. The overall mean value is 4.04, and the standard deviation is 0.998, indicating that respondent's give the aforementioned four factors a lot of thought when deciding whether to invest in an secondary Market .All the value of standard deviation is more than1 shows there is no commonality between respondents.

Table 9

Descriptive Analysis

Variables	N	Mean	Std. Deviation	Minimum	Maximum
ID	408	7.0533	3.03843	3.85	4.28
QM	408	7.4667	2.90028	3.66	3.96
CG	408	7.4067	3.12834	3.47	4.13
CP	408	7.2267	2.14303	3.76	3.92
CS	408	7.4667	2.95984	3.84	4.04
MI	408	8.2333	1.39229	3.59	3.95

Table 9 provides a summary of key investment-related variables: Investment Decision (ID), Quality Management (QM), Consumer Goodwill (CG), Consumer Performance (CP), Company Sectors (CS), and Marketing Information (MI). Investment Decision has a mean score of 7.0533 and a high standard deviation of 3.03843, indicating significant variability in how respondents perceive investment risks and security, with scores ranging from 3.85 to 4.28. Quality Management shows a mean of 7.4667 and a standard deviation of 2.90028, with mean scores ranging from 3.66 to 3.96, reflecting moderate variability in opinions on its importance. Consumer Goodwill has a mean of 7.4067 and the highest standard deviation of 3.12834, with scores from 3.47 to 4.13, highlighting notable variation in perceptions. Consumer Performance has a mean score of 7.2267 and a lower standard deviation of 2.14303, with scores ranging from 3.76 to 3.92, suggesting a more consistent view on its importance. Company Sectors also has a mean of 7.4667 and a standard deviation of 2.95984, with scores from 3.84 to 4.04, indicating moderate variability. Marketing Information stands out with the highest mean score of 8.2333 and the lowest standard deviation of 1.39229, showing strong consensus on its impact, with scores ranging from 3.59 to 3.95. Overall, while Marketing Information is consistently valued, opinions on Investment Decision and Consumer Goodwill show significant variation, reflecting diverse perspectives on these investment factors.

4.3 Correlation Analysis

Pearson the relationship between several independent and dependent variables related to the research is ascertained using correlation analysis. Any two variables' linear connection with one another is measured. This analysis was conducted on variables with straightforward multiple-choice responses. To evaluate the strength or degree of link between the research variables, a correlation matrix was created. A positive correlation indicates that the link is directional, with one increasing in response to a rise in the other. A negative correlation, on the other hand, shows the opposite of the above: an increase in one whiles the other declines.

Table 10

Pearson's correlation matrix describing correlation between investment decision and independent variable

		ID	QM	CG	CP	CS	MI
ID	Pearson Correlation	1	.266**	.442**	.393**	.117*	.407**
	Sig. (2-tailed)		.000	.000	.000	.018	.000
QM	Pearson Correlation		1	.204**	.374**	.134**	.292**
	Sig. (2-tailed)			.000	.000	.007	.000
CG	Pearson Correlation			1	.224**	.166**	.257**
	Sig. (2-tailed)				.000	.001	.000
CP	Pearson Correlation				1	-.035	.403**
	Sig. (2-tailed)					.484	.000
CS	Pearson Correlation					1	-.024
	Sig. (2-tailed)						.626
MI	Pearson Correlation						1

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

*. Correlation is significant at the 0.05 level (2-tailed).

(Sources: Calculation of using SPSS version 27)

Table 10 shows the correlation coefficients and significance levels among six variables: investment decision, quality management, consumer goodwill, consumer performance, company sector, and market information.

The Investment Decision variable has a positive and significant correlation with Consumer Goodwill ($r = 0.442$, $p < 0.01$), Consumer Performance ($r = 0.393$, $p < 0.01$), and Market Information ($r = 0.407$, $p < 0.01$). It also has a moderate positive correlation with Quality Management ($r = 0.266$, $p < 0.01$). However, its correlation with Company Sector is statistically significant ($r = 0.117$, $p < 0.05$).

The Quality Management variable has a positive and significant correlation with Consumer Goodwill ($r = 0.204$, $p < 0.01$), Consumer Performance ($r = 0.374$, $p < 0.01$), and Market Information ($r = 0.292$, $p < 0.01$). The Consumer Goodwill variable has a positive and significant correlation with Consumer Performance ($r = 0.224$, $p < 0.01$) and Market Information ($r = 0.166$, $p < 0.01$). The Consumer Performance variable has a positive and significant correlation with Market Information ($r = 0.403$, $p < 0.01$). However, its correlation with Investment Decision is not statistically significant ($r = -0.035$, $p > 0.05$).

The Company Sector variable has a weak and not significant correlation with any of the other variables in the table (all $p > 0.05$). The Market Information variable has a positive and significant correlation with Investment Decision ($r = 0.407$, $p < 0.01$), Quality Management ($r = 0.292$, $p < 0.01$), and Consumer Goodwill ($r = 0.166$, $p < 0.01$). It also has a positive and significant correlation with Consumer Performance ($r = 0.403$, $p < 0.01$).

4.4 Regression Analysis

Based on the regression analysis results presented in the following tables, the regression coefficient model is estimated using multiple regression analysis. The developed regression model is:

Table 11

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685[a]	.469	.450	1.03215

a. Predictors: (Constant), MI, CS, QM, CP, CG

Table 11 presents the summary of a linear regression analysis. The coefficient of determination, R, is 0.685, indicating that about 68.5% of the variance in the dependent variable is explained by the independent variables. The R^2 value is 0.469, meaning that 46.9% of the variance in the dependent variable is accounted for by the model. The Adjusted R^2, which adjusts R^2 for the number of predictors, is 0.450, suggesting a slight reduction in explanatory power due to the inclusion of some predictors that may not be highly relevant. The standard error of the estimate is 1.03215, reflecting the average deviation between observed and predicted values. The model includes predictors such as Constant, MI, CS, QM, CP, and CG. Overall, the model demonstrates moderate predictive capability, as shown by the R^2 value, while the adjusted R^2 suggests that some predictors may not significantly enhance the model. Analyzing the coefficients for each predictor will provide further insights into their individual impact on the dependent variable.

Table 12

ANOVAS Tests

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	135.427	5	27.085	25.424	.000[b]
	Residual	153.407	144	1.065		
	Total	288.833	149			

a. Dependent Variable: ID

b. Predictors: (Constant), MI, CS, QM, CP, CG

Table 12 provides the results from the ANOVA of the regression analysis, which assesses how well the model explains the variability in the dependent variable, ID. The regression sum of squares is 135.427, indicating the total variability in ID explained by the model. With 5 predictors (MI, CS, QM, CP, and CG), the mean square is 27.085, representing the average variability explained by each predictor.

The F-statistic of 25.424, with a p-value of 0.000, shows that the regression model is statistically significant, meaning the predictors collectively account for a substantial portion of the variability in ID. The residual sum of squares is 153.407, indicating unexplained variability, while the total sum of squares is 288.833.

The degrees of freedom for total variability are 149, reflecting the total number of observations minus one. Overall, the significant F-statistic and low p-value confirm that the model's explanatory power is robust and greater than the unexplained variance.

Table 13

Coefficients Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.647	.307		18.419	.000
	QM	.179	.069	.390	2.599	.010
	CG	.200	.080	.417	2.516	.013
	CP	-.026	.072	-.060	-.369	.713
	CS	.086	.058	.133	1.491	.138
	MI	-.080	.064	-.170	-1.245	.215

a. Dependent Variable: ID

The table 13 shows that the coefficients table for a regression model with the dependent variable ID and several independent variables (QM, CG, CP, CS and MI). Let's break down the interpretation of the table the Constant (Intercept), Unstandardized Coefficient (B) is 5.647. The standard error is 0.307 where the t-Value is 18.419. The significant value is 0.000 (p-value). The intercept is 5.647. The t-value of 18.419 is highly significant (p-value < 0.05), suggesting that the intercept significantly differs from zero.

The variables QM (Independent Variable) has unstandardized coefficient (B) is 0.179 which standard error is 0.069, beta (Standardized Coefficient) is 0.390, t-Value 2.599 and significant 0.010 (p-value). For the variable QM, the unstandardized coefficient is 0.179, and the standardized coefficient (Beta) is 0.390. The t-value of 2.599 is significant at the 0.05 level, indicating that QM has a significant effect on the dependent variable.

The variable CG (Independent Variable), which unstandardized coefficient (B) is 0.200 and standard error is 0.080. Where the beta (Standardized Coefficient) is 0.417, and t-value is 2.516. The significant result is 0.013 (p-value). Similar to QM, CG also has a significant positive effect on the dependent variable. The unstandardized coefficient is 0.200, and the standardized coefficient (Beta) is 0.417.

The variables CP (Independent Variable) has unstandardized coefficient (B) is -0.026 and standard error is 0.072 where beta (Standardized Coefficient) is -0.060 where t-value is -0.369. The significant value of the study is 0.713 (p-value). The variable CP does not seem to have a significant effect on the dependent variable, as the p-value is greater than 0.05.

CS (Independent Variable) has unstandardized coefficient (B) of the study has 0.086 where standard error is 0.058, the beta (Standardized Coefficient) is 0.133 and t-Value: 1.491. The significant value is 0.138 (p-value). The variable CS also does not have a significant effect, as the p-value is greater than 0.05.

Similarly, the MI (Independent Variable) has unstandardized coefficient (B) is -0.080, the standard error of the study is 0.064, the beta (Standardized Coefficient) is -0.170 where the t-

value is -1.245. The significant level of this study has 0.215 (p-value). MI does not have a significant effect on the dependent variable, as the p-value is greater than 0.05.

In summary, QM and CG appear to be significant predictors of the dependent variable ID, while CP, CS, and MI do not seem to have a significant impact based on the given significance levels.

4.6 Discussion

In this research study found that ID to QM has positive correlation and significant relationship. Similarly, ID to CG, CP, CS and MI has positive correlation and significant relationship. In the same way QM to CG, CP, CS and MI has also positive correlation and significant relationship. Similarly, CG to CP, CS and MI has also positive correlation and significant relationship. In case of CP to CS and MI, it has also positive correlation and significant relationship. At last, CS to MI has also positive correlation and significant relationship. Rao, Prasad and Yadhav (2022), Gnawali and Niraula, (2021), Poudel, (2021), Bhatta, (2019) has also found significant relation and impact on their study. Their studies are consistency with this research. Similarly, The previous scholars Mohamed and Mbogo (2022), Min (2022), Munira and Surti (2021), Manu and Saini (2020) has also consistency with this study.

Similarly, in case of regression analysis overall there is significant impact on dependent to independent variables. In the case of coefficient, there is significant impact on dependent to independent variables where individually, ID to QM, CG has significant impact and ID to CP, CS and MI has insignificant impact or insignificant relationship between the variables. The previous scholars, Rao, Prasad and Yadhav (2022), Gnawali and Niraula, (2021), Poudel, (2021), Bhatta, (2019) have also found significant relation and impact on their study. Their studies are consistency with this research. The previous scholars Mohamed and Mbogo (2022), Min (2022), Munira and Surti (2021), Manu and Saini (2020) has also consistency with this study.

The previous scholars Sandhu and Guhathakurta (2020), Gao and Hou (2019), Badru, Ahmad-Zaluki and Wan-Hussin (2018), Hossain and Khan (2018) and Khatri (2017), Khan and Choudhury (2017), Sidana and Sarin (2017) Seng, Yang and Yang (2017), Singh and Yadav (2016), Gurung (2020) are contrast with our study findings. They found insignificant relationship and impact, but our study has found significant relationship and impact.

The analysis conducted reveals strong positive correlations among the variables ID, QM, CG, CP, CS, and MI, indicating systematic relationships between them. The regression model, as evidenced by the R^2 value suggests moderate predictive power, with QM and CG significantly impacting the dependent variable ID. However, CP, CS, and MI do not appear to have a significant effect. The overall model is statistically significant, as indicated by the ANOVA results, with predictors collectively contributing significantly to explaining the variability in ID. Further interpretation of individual coefficient effects provides insights into the relative importance of each predictor in the model.

The study establishes positive correlations and significant relationships between several pairs of variables, such as ID to QM, CG, CP, CS, and MI, as well as interrelationships among QM, CG, CP, CS, and MI. These findings suggest a systematic connection between these constructs, indicating that improvements or changes in one variable may correspond to changes in others.

The research findings align with prior studies conducted by Rao, Prasad, Yadhav, Gnawali, Niraula, Poudel, Bhatta, Mohamed, Mbogo, Min, Munira, Surti, Manu, and Saini. This consistency strengthens the validity of the current study's results and underscores the robustness of the relationships observed.

The regression analysis reveals significant impacts of certain independent variables (ID, QM, and CG) on the dependent variable, with QM and CG showing particularly noteworthy effects. However, CP, CS, and MI do not exhibit significant impacts individually. This suggests that while certain factors may strongly influence the dependent variable, others may have a more nuanced or indirect effect.

A comparison with previous scholars who found insignificant relationships and impacts (such as Sandhu, Guhathakurta, Gao, Hou, Badru, Ahmad-Zaluki, Wan-Hussin, Hossain, Khan, Khatri, Choudhury, Sidana, Sarin, Seng, Yang, Singh, Yadav, and Gurung) highlights divergent findings. These differences could stem from variations in methodologies, sample characteristics, or contextual factors, emphasizing the importance of contextualizing study results within specific contexts and conditions.

The regression model demonstrates moderate predictive power, as indicated by the R^2 value, with QM and CG significantly impacting the dependent variable ID. While CP, CS, and MI do not show significant effects individually, the overall model remains statistically significant, indicating that the predictors collectively contribute to explaining variability in ID.

These findings have implications for theory development, practice, and policy. Understanding the relationships between variables like ID, QM, CG, CP, CS, and MI can inform interventions aimed at enhancing organizational performance, productivity, and effectiveness. Future research could delve deeper into understanding the mechanisms underlying these relationships and explore potential moderators or mediators that may influence the observed effects.

CHAPTERE V
SUMMARY AND CONCLUSION

This chapter, which includes a summary of the research, a conclusion, and consequences of the study three sections, serve as a summary of the entire chapter. The initial One gives a general review of the research findings and the investigation. The following portion derives the study's conclusion, and the third section makes a few suggestions implications.

5.1 Summary

This study's main goal was to learn more about how investors perceive and are aware of initial public offerings Primary and Secondary Market. Similar to that study, this one looks at the variables that influence investors' Primary and Secondary Market investing decisions. Among the many elements that can five criteria, including quality management and firm performance, might persuade investors to purchase an initial public offering Primary and Secondary Market.

The text focuses on the factors that influence investors' decisions to invest in initial public offerings Primary and Secondary Market investing. The study looks at variables such as quality management, firm performance, goodwill, and market information, which can persuade investors to purchase a Primary and Secondary Market investing. Data was collected from 408 investors through a questionnaire, and statistical analysis was conducted on the data.

The study found that each variable evaluated had an impact on investors' investment decisions. The importance of the capital market in providing long-term assets for businesses was highlighted, with Primary and Secondary Market investing being a key mechanism in the primary market. The Nepalese capital market was also examined, which is relatively new but contributes to the growth of the country's financial system.

The capital market offers funds for long-term asset improvement, which is essential for companies. In contrast, money markets offer short-term solutions. Primary and Secondary Market investing are when institutions issue their securities to the general public to raise funds for the first time. They are a significant opportunity for companies to raise capital in the primary market mechanism.

The study reveals that the Nepalese capital market is a relatively new concept, but it contributes to the growth of the country's financial system. The stock market is an essential component of the capital market, and it plays a vital role in the development of the country's economy.

Overall, the study highlights the importance of factors such as quality management, firm performance, and market information in influencing investors' decisions to invest in Primary and Secondary Market investing. Additionally, the capital market is crucial for companies to obtain long-term assets, and Primary and Secondary Market investing are a key mechanism in the primary market. The Nepalese capital market is still in its early stages but has the potential to contribute significantly to the growth of the country's economy.

5.2 Conclusion

The primary aim of the research was to enhance investor perceptions of initial public offerings (IPOs) in Nepal's primary and secondary markets. The analysis of different factors revealed that elements like quality management, company goodwill, company performance, company sector, and market information are interconnected and have a significant impact on investor decision-making. Company performance emerged as a particularly influential factor. Investors with a mean value above three and a standard deviation of 0.69, along with information on the company sector and market conditions, were critical in shaping their investment choices.

Key findings reveal that investment decisions are closely related to quality management, company goodwill, performance, sector, and market information. Quality management shows a positive association with these factors. Investors place considerable importance on the

company's legitimacy, the founder CEO's credibility, and human resource value when making investment choices. Additionally, metrics such as dividend premiums, earnings per share (EPS), and return on investment (ROI) are crucial for assessing company performance.

Investor preferences vary by sector, with insurance companies being highly favored. However, IPOs are not viewed as risk-free or guaranteed investments. Media commentary and future forecasts have minimal impact on investment decisions compared to past performance, which holds more weight. Overall, quality management, company goodwill, performance, sector, and market information significantly influence investment decisions. Investors also do not view primary and secondary market investments as guaranteed profit avenues, with company legitimacy, the founder CEO, and human resource value being key factors in their decision-making process.

5.3 Implications

The study provides insights into the factors that influence investors' decisions to invest in Initial Public Offerings Primary and Secondary Market investing.

- It highlights the importance of factors such as company goodwill, performance, market information, and quality management in investors' decision-making process.
- The results suggest that companies looking to issue Primary and Secondary Market investing need to focus on building and maintaining a good reputation, strong performance, and providing reliable market information to attract investors.
- The study can be useful for companies, issue managers, regulatory bodies, students, and researchers who are interested in the Primary and Secondary Market investing market.
- It can help these stakeholders to better understand the psychology of primary investors and make more informed decisions about Primary and Secondary Market investing investments.

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APPENDIX

Questionnaire

Research Questionnaire **Market Inefficiencies and Investment Decision in Nepalese Stock Market** Dear Respondent; I am Gokul Shahi from Shanker Dev Campus Tribhuvan University. I am pursuing Master of Business Studies with Finance as major. As a part of the M.B.S. study, I am conducting a research entitled "Market Inefficiencies and Investment Decision in Nepalese Stock Market". As an investor, you are humbly requested to fill this questionnaire. This study is carried out purely for academic purpose and the information given will be treated with confidentiality and for only the purpose of this study. Your response and time is greatly appreciated.

Respondent profile

1) email

2) Name

3) Gender

i) Male

ii) Female

4) Age

i) below 20

ii) 20-40

iii) 40-60

iv) Above 60

5) Education Level

i) Intermediate

ii) Bachelor Degree

iii) Master Degree

iv) Master level or above

6) Occupation

i) Student

ii) Business

iii) Private Employee

iv) Government employee

7) Investment amount in stock market

i) 1-10 thousand

ii) 10-20 thousand

iii) 20-30 thousand

iv) 30-40 thousand

v) 40 thousand and above

8) Do you apply for IPO through meroshare?

i) Yes

ii) No

9) Is it necessary to open D-mat account for investing on stock market?

i) Yes

ii) No

10) Reason for investment in stock market

i) Liquidity

ii) Dividend Purpose

iii) Capital Gains

iv) Others

S.N	**Factor**	**Answer**				
		1	**2**	**3**	**4**	**5**
A.	**Quality Management**					
QM_1	Do you consider that legitimacy of company affects in your investment in stock market?					
QM_2	Do you consider that founder CEO affects in your investment of stock market?					
QM_3	Do you consider that human resource value affects in your investment in stock market?					
B.	**Company Goodwill**					
CG_1	Do you consider that historical background will affect while investing in stock market?					
CG_2	Do you consider that age of company affects in your investment in stock market?					

CG_3	Do you consider that current financial position affecting in your investment in stock market?					
C.	**Company Performance**					
CP_1	Do you consider that dividend premium matter more for your investment in stock market?					
CP_2	Do you consider that earning per share (EPS) make investors to invest in stock market?					
CP_3	Do you consider that return on investment (ROI) make investors to invest in stock market?					
D.	**Company Sectors**					
CS_1	Do you consider that investment in banking sector of stock market is better?					
CS_2	Do you consider that investment in insurance company of stock market is better?					
CS_3	Do you consider that investment in hydropower company of stock market is better?					
E.	**Market Information**					
MI_1	Do you consider that comment on media affects in your investment in stock market?					
MI_2	Do you consider that future prediction and forecast affect your investment in stock market?					
MI_3	Do you consider that the past trend of stock market, while investing in stock market?					
F.	**Investment decision**					
ID_1	Do you conclude that individual invested have more risk in stock market investment?					
ID_2	Do you consider that stock markets are risk free from of investment?					
ID_3	Do you consider that stock markets are guaranteed way of making money?					

Thank You!

MARKET INEFFICIENCIES AND INVESTMENT DECISION I...

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ABSTRACT Investors channel their funds and savings into various sectors with the goal of maximizing their wealth while ensuring safety and minimizing risk. The fundamental objective of any investment is to achieve the highest possible return with the least amount of risk. With increased financial literacy, individuals are more discerning about their investment choices and seek opportunities that offer better returns than traditional options. Bank fixed deposits, once a popular choice for conservative investors, are becoming less attractive due to their low interest rates. In many cases, these rates are outpaced by inflation, resulting in negative real returns. Consequently, investors are exploring alternative avenues that potentially offer higher returns. To achieve better returns, many are turning to investments in productive sectors such as industry, trading, services, and finance. These sectors often provide more substantial growth opportunities compared to the modest returns of fixed deposits. Investors are also diversifying their portfolios by investing in various forms of assets, including equities, bonds, and stocks, which can offer better returns but come with different levels of risk. Overall, the shift from traditional savings methods to more dynamic investment strategies reflects a broader trend towards seeking higher yields and managing risk more effectively in today's economic environment. Keywords: Investors Perception, Investment Decision, Quality Management, Company Goodwill i CHAPTER-I INTRODUCTION 1.1 Background of the Study Investors play a crucial role in various investment sectors by channeling their funds and savings with the goal of maximizing returns while managing risks. Traditionally, many investors have favored bank fixed deposits, but dissatisfaction has emerged due to the low interest rates that often fall below the inflation rate. As a result, investors are increasingly turning to more dynamic sectors such as