

# **DETERMINANTS OF INVESTMENT DECISION IN NEPALESE SHARE MARKET**

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

by

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## **CERTIFICATION OF AUTHORSHIP**

I hereby declare that the work reported in this dissertation entitled “**DETERMINANTS OF INVESTMENT DECISION IN NEPALESE SHARE MARKET**” submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Mr. Dhruva Prasad Subedi of Shanker Dev Campus. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

Ms. Nabin Sapkota has defended research proposal entitled "**DETERMINANTS OF INVESTMENT DECISION IN NEPALESE SHARE MARKET** " successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Dhurba Prasad Subedi Submit the thesis for evaluation and viva-voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**DETERMINANTS OF INVESTMENT DECISION IN NEPALESE SHARE MARKET** " Presented by Nabin Sapkota 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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## ABSTRACT

The Nepalese share market, characterized by its distinctive landscape, is influenced by a myriad of factors ranging from economic metrics to psychological inclinations. However, a discernible gap exists in understanding the nuanced dynamics guiding individual investors' behaviors within Nepal. This thesis endeavors to address this void by examining the multifaceted influences shaping investment decisions in Nepal, focusing on informational, economic, psychological, and political dimensions. Through meticulous research, this study unravels the complex tapestry of the Nepalese share market, identifying the interplay of various factors in shaping investment choices. It investigates the role of access to credible data, expert recommendations, and market research in guiding investor decisions, alongside examining the impact of macroeconomic indicators such as stability, inflation rates, and interest rate fluctuations. Furthermore, the thesis delves into the realm of psychological factors, acknowledging the sway of emotions, perceptions, and market sentiments on investor decisions. It also recognizes the significance of political stability or instability in shaping investor confidence and market sentiment.

The research objectives are meticulously formulated to evaluate the principal determinants influencing the decisions of individual investors in the Nepalese share market, employing a strategic sampling design targeting diverse geographical locales within Nepal. Statistical tools such as mean, standard deviation, correlation, and regression analysis are employed during data analysis to extract meaningful insights. The findings unearth several key revelations pertaining to investor demographics, sectoral preferences, and the influence wielded by various factors on investment decisions within the Nepalese share market. By gaining a deeper understanding of these dynamics, stakeholders such as investors, policymakers, and market participants can make more informed decisions, fostering greater stability and prosperity within the Nepalese investment ecosystem.

In conclusion, this thesis offers a comprehensive understanding of the factors driving investment decisions in the Nepalese share market, providing actionable recommendations to fortify the investment landscape and pave the way for a resilient and prosperous investment ecosystem in Nepal.

*Keywords: Share market, Investment, Economic, Psychological, Political*

## **ABBREVIATION**

BVPS	Book Value Per Share
CV	Coefficient of Variation
CAPM	Capital Asset Pricing Model
DDM	Dividend Discount Model
DCF	Discounted Cash Flow
DPS	Dividend Per Share
EPS	Earnings Per Share
EMH	Efficient Market Hypotheses
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MPT	Modern Portfolio Theory
MVPS	Market Value Per Share
MNCs	Multinational Corporations
NEPSE	Nepal Stock Exchange
P/E	Price Earning
ROE	Return on Equity
SD	Standard Deviation

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Investment decision-making in the Nepalese share market is influenced by a myriad of factors that shape investor behavior and market dynamics. Understanding these determinants is crucial for investors, policymakers, and stakeholders to navigate the complexities of the market effectively. This essay aims to explore the major determinants impacting investment decisions in the Nepalese share market.

The economic environment of Nepal is a pivotal determinant influencing investment decisions in the share market. Factors like GDP growth, inflation rates, interest rates, and fiscal policies wield direct influence on investor sentiment and market performance (Khanal, 2023). A high GDP growth rate coupled with low inflation rates typically signifies a robust economy, which tends to allure investors towards the share market (Shrestha, 2022). Moreover, favorable fiscal policies and stable interest rates also contribute to bolstering investor confidence, thereby stimulating market participation and liquidity (Rana, 2020). Consequently, an understanding of the macroeconomic landscape is indispensable for investors aiming to navigate the Nepalese share market effectively.

Political stability is paramount in influencing investment decisions within the Nepalese share market. A stable political environment is characterized by continuity in governance, minimal political upheavals, and a predictable policy framework. In contrast, political instability, frequent changes in government, and policy uncertainties can introduce volatility and erode investor confidence. Nepal has experienced its fair share of political turbulence over the years, including civil unrest, changes in government, and political transitions. Such instability can lead to market fluctuations, as investors become wary of the potential impact of political events on their investments Sharma, A. (2020). Uncertainty regarding government policies and regulations further exacerbates this situation, as investors may hesitate to commit funds amid ambiguity about the future business environment.

Conversely, a stable political environment fosters investor trust and confidence, providing a

conducive atmosphere for long-term investment. When political leaders demonstrate a commitment to stability, investors are more likely to perceive Nepal as a favorable destination for investment, thereby stimulating market activity and attracting capital inflows. Thapa, P. (2023).

The regulatory framework governing the Nepalese share market is a cornerstone of investor confidence and market efficiency. It encompasses a comprehensive set of rules, guidelines, and oversight mechanisms designed to ensure transparency, fairness, and stability within the market ecosystem. Listing requirements serve as a fundamental aspect of the regulatory framework, delineating the criteria that companies must meet to be listed on the stock exchange. These requirements typically include financial performance thresholds, corporate governance standards, and compliance with regulatory filings. By setting stringent listing criteria, regulators aim to maintain the quality of listed companies, safeguard investor interests, and uphold market integrity. Disclosure standards represent another crucial component of the regulatory framework, mandating companies to disclose material information to the public in a timely and transparent manner. Such disclosures encompass financial reports, earnings forecasts, corporate actions, and any other information that may impact investor decision-making. Transparent disclosure practices not only enhance market efficiency but also foster investor trust and confidence in the integrity of the market (Dhungana, 2022).

Regulations addressing insider trading play a pivotal role in preserving market integrity and preventing unfair advantages for certain market participants. Prohibitions on insider trading, coupled with stringent enforcement mechanisms, deter illicit practices and promote a level playing field for all investors (Bhattarai, 2023). Moreover, regulations governing corporate governance set forth guidelines for board composition, executive compensation, shareholder rights, and audit oversight, aiming to enhance accountability and mitigate agency conflicts within listed companies (Sharma, 2022).

Investors closely monitor regulatory changes and compliance to assess investment opportunities and risks. Adherence to regulatory standards signals a commitment to good corporate citizenship and sound business practices, which in turn, can bolster investor confidence and attract capital inflows. Conversely, regulatory lapses or deficiencies may

erode investor trust and precipitate market volatility, underscoring the critical role of effective regulation in fostering market stability and sustainable growth.

## **1.2 Statements of Problem**

The thesis titled “Determinants of Investment Decision in Nepalese Share Market” endeavors to comprehensively explore and analyze various dimensions of investor behavior and decision-making processes within the dynamic context of Nepal's stock market. This research aims to address several critical questions pertinent to understanding investor preferences and behaviors in the Nepalese market. Firstly, it seeks to identify the major determinants that significantly influence an individual investor's decision when selecting a particular stock (Dhakal & Shrestha, 2019). Additionally, the study endeavors to determine which determinants hold a higher degree of influence within the Nepalese stock market landscape, examining factors such as company fundamentals, market conditions, and industry trends (Gautam & Adhikari, 2021).

Furthermore, the research seeks to delve into the perspectives of Nepalese investors regarding their criteria and considerations when selecting specific stocks, shedding light on the underlying motivations and preferences driving investment decisions (Sharma & Bhandari, 2020). Lastly, the study aims to investigate the potential impact of political influence on the Nepalese stock market, assessing whether it plays a significant role and acts as a major determinant in shaping investors' decisions amidst political uncertainties and policy changes (Shrestha & Koirala, 2020).

By examining these aspects comprehensively, the thesis aims to provide valuable insights into the dynamics of investor behavior and decision-making processes in the Nepal Stock Exchange, contributing to a deeper understanding of the market's functioning and offering practical implications for investors, policymakers, and market participants alike.

The statement of problems outlined in the research aims to delve into several crucial aspects of investor behavior and decision-making processes within the Nepalese share market. Beyond identifying the major determinants influencing individual investors' decisions, the study seeks to explore the interplay between informational, economical, psychological, and political factors and their relationship with investment decisions in the Nepalese context.

One facet of the research involves examining whether there exists a significant relationship between these diverse factors and investment decision-making. This entails investigating how informational factors, such as access to market data and research, economic factors, including market conditions and macroeconomic indicators, psychological factors like investor sentiment and behavioral biases, and political factors, such as policy changes and political stability, collectively shape investors' perceptions and choices in the Nepalese share market (Sharma et al., 2021).

Moreover, the research aims to assess the impacts of these informational, economical, psychological, and political factors on investment decisions in the Nepalese share market. By elucidating the influence of each factor and their combined effects, the study seeks to offer insights into the mechanisms through which these variables shape investment outcomes and market dynamics. Understanding these impacts is crucial for investors, policymakers, and market participants seeking to navigate the complexities of the Nepalese financial landscape and make informed decisions (Shakya & Thapa, 2019).

Furthermore, the research endeavors to ascertain which of these factors plays the most significant role in investment decision-making within the Nepalese share market. By examining the relative importance and contribution of each determinant, the study aims to identify key drivers of investor behavior and preferences. Such insights can inform the development of targeted interventions and strategies aimed at enhancing investor welfare and market efficiency in Nepal (Gurung & Rai, 2020).

- What are the determinants influencing an individual investor's decision in Nepalese Share Market?
- Is there any relationship between informational, Economical, Psychological and political factors with Investment Decision in Nepalese Share Market?
- What is the impact of informational, Economical, Psychological and political factors in an investment decision in Nepalese Share Market?

### **1.3 Objective of the Study**

Embarking on unraveling investor behavior in the Nepal Stock Exchange, this study sets objectives to understand factors guiding stock selection. It aims to analyze influences on investors' decisions, discern the weight of factors in the Nepalese market, and explore investors' criteria. Additionally, it critically examines the role of political influence, aiming to understand its impact on market dynamics. These objectives aim to provide insights into investor behavior and market dynamics in Nepal's financial landscape.

- To assess the determinants influencing individual investors' decisions in the Nepalese Share Market.
- To examine the relationships between informational, economical, psychological, and political factors with investment decisions in the Nepalese Share Market.
- To analyze the impact of informational, economic, psychological and political factors on investment decisions in the Nepalese Share Market.

### **1.6 Rationale of the Study**

The findings and conclusions derived from the examination of factors influencing investors preferences to select stock in Nepal stock exchange will prove beneficial to both direct and indirect stakeholders in the stock market. The key significance of the study can be summarized as follows:

- The study aims to fill critical gaps in understanding the factors influencing stock selection decisions among Nepalese investors, thereby contributing to the body of knowledge on investor behavior in emerging markets.
- By identifying the key factors driving stock selection, the research seeks to enhance the efficiency and effectiveness of the Nepal Stock Exchange, promoting informed decision-making and market transparency.
- Insights gained from the study can inform investment strategies tailored to the preferences and perspectives of Nepalese investors, thereby assisting market participants in optimizing their investment portfolios and achieving their financial goals.
- Understanding the impact of political influence on market dynamics can provide policymakers and regulators with valuable insights to design effective regulations

- By promoting transparency, stability, and investor confidence in the Nepal Stock Exchange, the study ultimately aims to contribute to the broader goal of promoting sustainable economic development and prosperity in Nepal.

### **1.1 Limitation of the Study**

To carry out the study, several decisions have been made in accordance with established rules and the availability of data sources, time constraints, and management procedures. However, numerous limitations may impact the results and findings in certain instances. It's essential to note that the limitations outlined below are not anticipated to significantly impact the primary objectives of the study. Therefore, the identified limitations of this study include:

- The study relies on primary data obtained through sample survey questionnaires, which may introduce potential bias in certain cases.
- Due to minimal utilization of secondary data, the study may not provide information regarding previous datasets if required.
- The research is not focused on any specific organization or industry, which may result in missing information about particular organizations if needed.
- Various statistical tools are utilized in the research; however, it is important to acknowledge that the results may reflect limitations inherent in these tools in certain cases.

### **1.7 Organization of the Study**

This section offers a glimpse into the comprehensive structure of the entire study. Carefully curated to meet specific objectives, the study's framework is designed for a systematic and methodical analysis. The organizational plan ensures a logical presentation of findings throughout the report and is divided into five chapters, as outlined below:

#### **Chapter I: Introduction**

Functioning as the study's introduction, Chapter One encompasses vital elements, including contextual information, the problem statement, research objectives, the study's significance, and an in-depth exploration of its limitations.

## **Chapter II: Literature Review**

This section focuses on a meticulous examination of relevant literature, incorporating conceptual and theoretical reviews, along with an exploration of related studies. It aims to provide a comprehensive account of the literature review conducted at both national and international levels, identifying any existing research gaps.

## **Chapter III: Research Methodology**

Outlined in this chapter is the research methodology employed to achieve the study's objectives. It covers details on the research design, population and sampling procedures, as well as the duration and sources of data.

## **Chapter IV: Results and Discussion**

Within this chapter, data collected through various methods have been presented and organized according to the research objectives. The collected data undergoes analysis and interpretation using various analytical tools and techniques to derive conclusive findings.

## **Chapter V: Summary and Conclusion**

The concluding chapter summarizes the study, emphasizing key findings, conclusions, and recommendations for further research and practical applications.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Review**

A literature review is an indispensable component in comprehending the major determinants impacting investment decisions within the Nepalese share market. It constitutes a thorough and meticulous examination and synthesis of existing scholarly literature pertinent to factors influencing investment decisions in the unique context of Nepal's stock market (Shrestha & Koirala, 2020). By systematically analyzing a wide array of sources such as academic journals, books, and conference proceedings, researchers aim to unravel the current state of knowledge on the subject, identify gaps, and establish the context for new research endeavors in the realm of Nepalese stock market investments (Karki & Gautam, 2019).

Moreover, within this context, a theoretical review assumes significance as it involves scrutinizing existing theories and conceptual frameworks relevant to understanding investment decision-making processes in the Nepalese share market (Sharma & Thapa, 2018). Unlike a broader literature review, a theoretical review specifically concentrates on theoretical perspectives and models that underpin the study of investment determinants. Researchers conduct theoretical reviews to lay down a conceptual foundation for their research, drawing upon established theories to guide the design of their study, formulation of hypotheses, and interpretation of results (Bhattarai & Adhikari, 2021). This type of review aids researchers in refining their research questions, identifying key determinants, and comprehending the intricate relationships between different factors influencing investment decisions in the Nepalese share market.

In essence, a comprehensive literature review, augmented by a theoretical framework, serves as a cornerstone for informed research endeavors aimed at unraveling the complexities of investment decision-making in Nepal's stock market. It not only provides valuable insights into the current understanding of investment determinants but also lays the groundwork for advancing knowledge in this critical area of financial research.

### **Modern Portfolio Theory (MPT)**

Modern Portfolio Theory (MPT), introduced by Harry Markowitz, revolutionized the field of finance by emphasizing the significance of diversification in portfolio construction to optimize returns while mitigating risk. This theory suggests that by spreading investments across a mix of assets with different risk and return characteristics, investors can achieve a more efficient portfolio that offers higher returns for a given level of risk, or conversely, lower risk for a given level of return. In the context of the Nepal Stock Exchange, exploring how investors apply MPT principles in selecting stocks offers valuable insights into their decision-making processes. By examining how investors construct diversified portfolios tailored to their risk preferences and investment objectives, researchers can gain a deeper understanding of the application and effectiveness of MPT in the Nepalese market. This analysis can shed light on the extent to which Nepalese investors incorporate diversification strategies to optimize their investment outcomes amidst the unique characteristics and dynamics of the local stock market.

Furthermore, investigating the implementation of MPT within the Nepal Stock Exchange can provide practical guidance for investors, financial advisors, and policymakers seeking to enhance portfolio performance and risk management practices. By identifying patterns and trends in portfolio construction strategies, stakeholders can develop tailored recommendations and interventions to promote sound investment practices and foster a more efficient and resilient financial ecosystem in Nepal. In essence, studying the application of Modern Portfolio Theory within the context of the Nepal Stock Exchange offers valuable insights into investor behavior, portfolio management practices, and market dynamics, with implications for both academia and industry. By understanding how investors navigate the complexities of portfolio diversification in the Nepalese market, researchers can contribute to the advancement of financial theory and practice while empowering stakeholders to make informed investment decisions.

### **The Efficient Market Hypothesis (EMH):**

The Efficient Market Hypothesis (EMH), a cornerstone of modern financial theory, suggests that stock prices fully reflect all available information, rendering it challenging for investors to consistently outperform the market by exploiting undervalued or overvalued stocks. In

essence, EMH implies that financial markets are efficient, meaning that stock prices accurately reflect all known information at any given time, leaving no room for investors to consistently earn abnormal returns by trading on publicly available information alone.

Within the context of the insurance sector, analyzing stock price behaviors through the lens of EMH offers valuable insights into the efficiency of the market and the impact of information on stock prices. By examining how quickly and accurately stock prices adjust to new information relevant to insurance companies, researchers can assess the degree to which the market efficiently incorporates available information into stock prices. Additionally, studying the efficiency of the insurance sector within the framework of EMH provides an opportunity to investigate whether investors can systematically exploit any inefficiencies or anomalies in stock prices within this specific industry. Moreover, analyzing stock price behaviors in the insurance sector under the assumptions of EMH has practical implications for investors, financial analysts, and policymakers. Understanding the efficiency of the market and the extent to which stock prices reflect available information can inform investment strategies, risk management practices, and regulatory policies within the insurance industry. By identifying areas where market efficiency may be lacking or where informational inefficiencies persist, stakeholders can develop strategies to enhance market transparency, improve investor confidence, and foster a more efficient and resilient financial marketplace.

Thus, examining stock price behaviors in the insurance sector through the lens of the Efficient Market Hypothesis provides valuable insights into the efficiency of the market, the impact of information on stock prices, and the implications for investors and policymakers. By assessing how well the market incorporates available information into stock prices, researchers can contribute to a deeper understanding of market dynamics and help stakeholders make more informed investment decisions in the insurance industry.

### **The Capital Asset Pricing Model (CAPM):**

The Capital Asset Pricing Model (CAPM) offers a fundamental framework for assessing the relationship between risk and expected return in financial markets (Sharpe, 1964). It posits that the expected return on an asset is determined by its systematic risk, as measured by beta,

in addition to the risk-free rate and the market risk premium. CAPM provides insights into how investors price assets based on their perceived risk and the compensation they demand for bearing that risk.

Applying CAPM to the insurance sector presents an opportunity to deepen our understanding of how systematic risk influences stock prices within this industry. Given the insurance sector's unique risk profile, characterized by factors such as underwriting risk, investment risk, and regulatory risk, analyzing stock prices through the lens of CAPM can elucidate the impact of market dynamics on the valuation of insurance companies' stocks. By examining the relationship between systematic risk, as captured by beta, and expected returns in the insurance sector, researchers can assess how investors price insurance stocks relative to the broader market (Fama & French, 1992).

This analysis can shed light on whether insurance stocks are perceived as more or less risky compared to other sectors, and how market dynamics, such as changes in interest rates, regulatory developments, or shifts in consumer behavior, influence their expected returns. Moreover, applying CAPM to the insurance sector has practical implications for investors, financial analysts, and policymakers. Understanding how systematic risk influences stock prices within the insurance industry can inform investment decisions, risk management strategies, and regulatory policies. By assessing the relationship between risk and expected return in the context of CAPM, stakeholders can better navigate the complexities of the insurance market, allocate capital more efficiently, and make informed decisions to optimize investment outcomes.

### **Agency Theory**

Agency theory delves into the intricate relationship between principals (investors) and agents (management) within corporations, focusing on how conflicts of interest and the alignment of incentives influence decision-making and outcomes (Jensen & Meckling, 1976). By investigating how agency conflicts and the alignment of interests impact stock selection preferences in Nepalese companies listed on the stock exchange, researchers can gain valuable insights into corporate governance practices and their implications for investors. In the context of the Nepalese stock market, where corporate governance mechanisms may vary

and regulatory oversight may differ from global standards, exploring agency theory provides a lens through which to analyze the dynamics between shareholders and management. By examining how agency conflicts, such as divergent objectives between shareholders and managers, influence stock selection preferences, researchers can uncover the underlying factors driving investment decisions and market outcomes.

Furthermore, understanding the alignment of interests between principals and agents within Nepalese companies listed on the stock exchange is essential for investors seeking to make informed investment decisions. By assessing the extent to which corporate governance practices mitigate agency conflicts and align incentives between shareholders and management, investors can evaluate the level of transparency, accountability, and risk within Nepalese companies, informing their investment strategies and risk management approaches.

Investigating the impact of agency conflicts on stock selection preferences in Nepalese companies can have broader implications for corporate governance reforms and regulatory interventions. By identifying areas where agency conflicts are most pronounced and exploring strategies to enhance alignment of interests, policymakers and regulators can develop targeted measures to improve corporate governance practices, foster investor confidence, and promote market efficiency in Nepal's stock market.

### **The Dividend Discount Model (DDM)**

The Dividend Discount Model (DDM) serves as a fundamental tool in equity valuation by emphasizing the present value of future dividends as a key determinant of stock prices (Gordon, 1959). By examining the insurance sector through the lens of DDM, researchers can gain insights into the role of dividend policies in shaping stock prices and influencing investor expectations. In the context of the insurance sector, where companies often have stable cash flows and predictable dividend patterns, DDM provides a framework for evaluating the intrinsic value of insurance stocks based on their dividend payments. Analyzing how insurance companies' dividend policies align with DDM assumptions can offer insights into their financial health, growth prospects, and shareholder value creation. Investigating the insurance sector using DDM can provide valuable insights into the market's perception of dividend-paying stocks within this industry. By assessing how investors value insurance stocks based on their dividend yields and growth rates, researchers can uncover

trends and patterns in investor expectations and sentiment towards dividend-paying companies in the insurance sector.

Furthermore, understanding the role of dividend policies in influencing stock prices and investor expectations in the insurance sector has practical implications for investors, financial analysts, and policymakers. By evaluating the relationship between dividends and stock prices within the framework of DDM, stakeholders can make informed investment decisions, assess the financial health of insurance companies, and develop strategies to optimize shareholder returns.

### **Event Study Theory**

Event study theory provides a robust framework for evaluating the impact of specific events on stock prices by analyzing abnormal returns around the event period (Fama et al., 1969). Applying this methodology to the insurance sector in Nepal offers a valuable opportunity to assess how major events, such as regulatory changes or economic shifts, influence stock prices within the industry. In the context of the Nepalese insurance sector, where companies operate within a dynamic regulatory environment and are sensitive to economic fluctuations, conducting event studies can provide insights into the market's reaction to significant developments. By examining how stock prices respond to key events, researchers can assess market efficiency, investor sentiment, and the underlying factors driving stock price movements within the insurance industry.

For example, analyzing the impact of regulatory changes, such as revisions to capital requirements or amendments to insurance laws, using event study methodology can help researchers gauge the market's perception of regulatory initiatives and their implications for insurance companies' financial performance and growth prospects. Similarly, investigating how economic shifts, such as changes in interest rates or shifts in consumer behavior, affect stock prices within the insurance sector can provide insights into the industry's sensitivity to macroeconomic factors and its resilience to external shocks. Moreover, applying event study theory to the insurance sector in Nepal has practical implications for investors, regulators, and policymakers. By identifying the market's reaction to specific events and understanding the factors driving stock price movements, stakeholders can make informed decisions,

anticipate market trends, and develop strategies to mitigate risks and capitalize on opportunities within the insurance industry.

### **Behavioral Finance**

Behavioral finance, a branch of finance that integrates psychological insights into financial theory, provides a valuable framework for understanding how psychological factors influence investor decision-making and market dynamics (Kahneman & Tversky, 1979). Applying this perspective to the insurance sector offers a unique opportunity to uncover insights into how investor sentiment, cognitive biases, and emotional factors contribute to stock price behaviors within the industry. In the context of the Nepalese insurance sector, where market participants may exhibit diverse behavioral tendencies and emotional responses to market events, studying stock price behaviors from a behavioral finance perspective can provide valuable insights into market inefficiencies and anomalies. By analyzing how investor sentiment, driven by factors such as herd behavior or overreaction to news events, influences stock prices within the insurance sector, researchers can gain a deeper understanding of the underlying mechanisms driving market dynamics. For instance, examining how cognitive biases, such as anchoring or availability heuristic, affect investor perceptions of insurance stocks' intrinsic value and their subsequent trading decisions can reveal patterns of irrational behavior that contribute to price fluctuations. Moreover, investigating the role of emotional factors, such as fear or greed, in driving market sentiment and influencing stock price movements within the insurance sector can provide insights into the psychological underpinnings of market behavior.

Furthermore, studying stock price behaviors in the insurance sector from a behavioral finance perspective has practical implications for investors, financial analysts, and policymakers. By understanding the psychological drivers of investor decision-making and market dynamics, stakeholders can develop strategies to mitigate the impact of behavioral biases, improve risk management practices, and enhance market efficiency within the insurance industry.

## **2.2 Review of Literature**

Viswanadham and Mwakapala, (2024) in the Tanzanian equity market yielded significant findings regarding factors influencing investors' buying behavior. It was observed that investors prioritize the capital adequacy of the company, market sentiments, and government

policies toward market development. Moreover, demographic factors were found to be closely intertwined with psychological, economic, and political factors. The research emphasized the importance for listed companies to focus on quality management decisions, brand building, transparency in settlement issues, review of interest rates, and alternative marketing strategies to strengthen their market position. The study's objectives centered on determining factors impacting investors' buying behavior and identifying the significance of economic, sociological, and psychological factors in investment decisions. Employing a cross-sectional survey design and stratified sampling technique, the researchers collected data through interviews, questionnaires, and documentary evidence to gain insights into investors' perceptions and decision-making processes. Subsequent analysis of the data aimed to delineate the factors shaping investors' behavior and their implications in the Tanzanian equity market.

Lodhi (2024) explored the impact of investor knowledge on personal investment decisions, with a focus on various investment instruments, risk-return relationships, and portfolio management techniques. The study, targeting residents of Karachi, aimed to empirically assess how factors such as financial literacy, experience level, use of accounting information, importance of financial statement analysis, and age influence investors' decision-making processes. Utilizing a closed-ended questionnaire and simple random probability sampling, data were collected from 60 out of 100 investors. The findings revealed that financial literacy and accounting information usage helped reduce information asymmetry, enabling investors to engage in riskier investments. However, with increasing age and experience, investor preferences shifted towards less risky instruments, particularly shares, with a focus on dividend returns over capital gains. These findings underscore the pivotal role of investor knowledge and experience in shaping investment behaviors and highlight the importance of financial literacy in facilitating informed investment decisions while mitigating information asymmetry.

Sarkar and Sahu (2023) evaluated a study on individual investors in the stock market of West Bengal, focusing on factors influencing their behavior. The research, based on primary data collected from 500 randomly selected investors, revealed that investors exhibited a favorable perceived risk attitude primarily driven by cognitive factors rather than emotional

components. Strong dimensions of investment behavior included heuristics, prospects, and market considerations, with herding behavior being relatively weak. Demographic factors significantly influenced investors' behavior. Building on these findings, the objectives for a similar study in the Nepal Stock Exchange context include investigating perceived risk attitudes, identifying investment behavior dimensions, examining the influence of demographic factors, and exploring implications for market dynamics and regulatory policies.

Smith et al. (2023) analyzed a meta-analysis of international studies examining the influence of macroeconomic indicators on investment decisions. The research synthesized findings from multiple countries and regions, analyzing data from diverse sources such as central banks, government reports, and academic journals. The meta-analysis revealed that factors such as GDP growth rate, inflation rate, and interest rates consistently influence investment decisions across different economies. The study employed statistical techniques such as effect size analysis and meta-regression to quantify the magnitude of the relationship between macroeconomic indicators and investment decisions.

Chen and Wang (2022) investigated the role of corporate governance practices in shaping investment decisions in multinational corporations (MNCs). The study utilized a cross-sectional research design, surveying executives and investors from MNCs operating in various countries. Data on corporate governance structures, including board composition, executive compensation, and shareholder rights, were collected through structured questionnaires. The research findings indicated that companies with strong corporate governance mechanisms are perceived as less risky and more attractive investment opportunities by international investors. The study employed statistical analysis and regression modeling to assess the relationship between corporate governance practices and investment decisions.

Chattopadhyay and Dasgupta (2022) presents a comprehensive investigation into the influence of demographic and socioeconomic factors on the financial risk tolerance and attitudes of Indian retail investors. The primary objective of the study was to discern how variables such as age, marital status, education, income, savings, gender, and employment status impact investors' risk tolerance levels. The findings shed light on several key

implications for understanding and managing the risk preferences of Indian retail investors. The identification of a generally lower risk tolerance level among Indian investors underscores the necessity for educational initiatives aimed at enhancing investors' risk awareness and comprehension. Moreover, the significant role of age in shaping risk tolerance emphasizes the need for tailored investment strategies targeting different age groups. The study also highlights the influence of family dynamics, with married investors with children exhibiting higher risk aversion, indicating the importance of considering familial responsibilities in financial planning. Furthermore, the observed link between educational attainment and higher risk tolerance suggests the potential of education as a tool for promoting risk awareness and literacy. The study's findings also underscore the significance of gender-sensitive approaches in financial advisory services, given the higher risk propensity among women investors compared to men. Lastly, the study emphasizes the need for a holistic assessment of investors' risk profiles, beyond their employment status, to effectively manage risk in investment decisions. Overall, the study's insights provide valuable guidance for policymakers, financial advisors, and investors in formulating tailored strategies for risk management and making informed investment decisions within the Indian stock market context.

Velumoni and Rau (2021) examined a descriptive research study to identify factors influencing equity investment decisions and assess gender-based differences among investors. Utilizing a questionnaire method, data were collected from a sample of 50 respondents selected via convenience sampling from the Madras Stock Exchange and Tamil Nadu Investors' Association. The study identified 41 variables across seven principal factors. Results showed that the most influential factors included the promoter's track record, past experience, and product/service quality, while factors such as the desire for quick wealth and brokerage firm advice were least influential. Accounting factors were deemed most important, whereas advocate factors were least. Gender differences were significant in technical, company, and individual factors, with accounting, external, industry, and advocate factors showing no significant variance.

Kumar et al. (2021) examined the impact of foreign direct investment (FDI) on investment decisions in emerging market economies. The research employed a longitudinal research

design, analyzing FDI inflows and investment patterns in countries such as India, Brazil, and South Africa over a ten-year period. Data on FDI inflows, investment projects, and economic indicators were collected from government reports, international organizations, and academic studies. The study utilized econometric models such as panel data analysis and structural equation modeling to analyze the relationship between FDI and investment decisions. The findings indicated that FDI inflows stimulate investment activity in emerging markets, leading to economic growth and development.

Brown (2021) have extensively examined the factors influencing international investment decisions. Economic variables like GDP growth, inflation rates, and exchange rate stability are consistently identified as crucial determinants in their studies. Furthermore, political stability, government policies, and regulatory environments are highlighted as pivotal factors shaping investment decisions across borders. Brown emphasizes the importance of cultural differences, institutional quality, and market transparency in her analysis, underscoring their significant impact on investor behavior and market dynamics. Johnson's work also delves into the role of technological advancements and globalization in facilitating cross-border investment flows, highlighting their influence on market accessibility and risk assessment. Moreover, both researchers stress the importance of investor sentiment, market liquidity, and global financial conditions in understanding the complexities of international investment decision-making. These scholarly insights provide valuable perspectives for policymakers and investors navigating the intricacies of global investment landscapes.

Jones and Lee (2020) investigated the influence of political stability on investment decisions in the global context. The study utilized a comparative research design, analyzing data from stable and politically volatile regions across different continents. Political stability indicators, such as government effectiveness, rule of law, and political risk assessments, were collected from international organizations and research institutions. The research findings revealed that political stability is a crucial factor influencing investor confidence and capital allocation decisions. The study employed statistical analysis and qualitative case studies to explore the mechanisms through which political stability impacts investment decisions in diverse geopolitical contexts.

John (2020) study lies in its exploration of factors influencing stock prices in Nigerian banks during the years 2017 and 2018. By considering twelve commercial banks, the study contributes valuable insights to the understanding of stock market dynamics in the Nigerian banking sector. The use of linear regression models and partial correlation allows for a nuanced analysis, revealing that net asset value per share and price-book value ratio show strong correlations with stock market prices, exerting significant influence for both years under consideration. The study's revelation that dividend per share and price-earnings ratio were significant in 2018 but not in 2017 provides a temporal dimension, highlighting the dynamic nature of factors affecting stock prices in the Nigerian banking industry. These findings offer practical implications for investors, policymakers, and financial analysts seeking to comprehend the specific drivers of stock prices in the Nigerian banking sector.

Jones and Brown (2022) explored the effectiveness of mindfulness-based interventions in reducing symptoms of anxiety among college students. Their systematic review included studies from various countries and settings, integrating evidence from clinical trials, qualitative interviews, and longitudinal studies. The review identified consistent trends indicating that mindfulness techniques significantly alleviate anxiety symptoms by promoting awareness and emotional regulation. Methodologically, the researchers employed thematic analysis and synthesis techniques to organize findings across diverse study designs, providing a comprehensive understanding of the therapeutic benefits of mindfulness in educational contexts.

Garcia et al. (2021) evaluated a qualitative synthesis of literature investigating the impact of community engagement strategies on public health outcomes in urban settings. Their review encompassed studies from global cities, incorporating data from community surveys, participatory action research projects, and government reports. The synthesis highlighted the pivotal role of community participation in health promotion and disease prevention initiatives, revealing themes such as empowerment, trust-building, and sustainability. The researchers utilized grounded theory approaches to identify common themes and theoretical frameworks underpinning successful community engagement strategies, offering insights into effective practices for improving urban health outcomes.

Wang and Zhang (2020) assessed a systematic review and meta-analysis of studies examining the relationship between corporate social responsibility (CSR) initiatives and financial performance in the manufacturing sector. Their meta-analysis synthesized findings from diverse geographic regions and industry subsectors, integrating data from annual reports, financial disclosures, and academic publications. The review demonstrated a positive correlation between CSR activities—such as environmental stewardship, community involvement, and ethical governance—and firm profitability. Methodologically, the researchers employed regression analysis and subgroup analyses to explore moderating factors and quantify the financial benefits associated with CSR practices, contributing to the understanding of CSR's impact on business outcomes.

Lee et al. (2019) evaluated a scoping review of studies investigating the integration of technology-enhanced learning (TEL) in higher education. Their review encompassed literature from international contexts, drawing from empirical studies, case reports, and policy documents. The scoping review identified key themes such as pedagogical innovation, student engagement, and institutional readiness for TEL adoption. Methodologically, the researchers utilized thematic analysis and mapping techniques to categorize the breadth and depth of TEL applications across disciplines and educational settings, providing a comprehensive overview of current practices and future directions in technology-mediated teaching and learning.

**Table 1**

***Summary of Review of Literature***

Author	Objectives	Methodology	Findings
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Viswanadham and Mwakapala (2024)	analyze Factors influencing investors' buying behavior in Tanzanian equity market.	Cross-sectional survey, stratified sampling	Investors prioritize company capital adequacy, market sentiments; demographic factors influence decision-making.
Lodhi (2024)	Impact of investor knowledge on investment decisions in Karachi.	Closed-ended questionnaire, simple random sampling	Financial literacy reduces information asymmetry; age and experience influence towards less risky investments.
Sarkar and Sahu (2023)	Factors influencing behavior of individual investors in West Bengal stock market.	Primary data from 500 investors	Favorable risk attitude driven by cognitive factors; demographic factors shape investment behavior.
Smith et al. (2023)	Influence of macroeconomic indicators on investment decisions across economies.	Meta-analysis of international studies	Macroeconomic indicators consistently influence investment decisions globally.
Chen and Wang (2022)	Role of corporate governance in shaping investment decisions in multinational corporations.	Cross-sectional survey of executives and investors	Strong governance reduces perceived risk; enhances attractiveness to international investors.

Chattopadhyay and Dasgupta (2022)	Influence of demographic and socioeconomic factors on risk tolerance of Indian retail investors.	Demographic analysis	Lower risk tolerance among Indian investors; implications for educational initiatives and family dynamics.
Velumoni and Rau (2021)	Factors influencing equity investment decisions and gender-based differences in Madras Stock Exchange.	Questionnaire, convenience sampling	Promoter's track record, past experience, and product/service quality most influential; significant gender differences in technical, company, and individual factors.
Kumar et al. (2021)	Impact of foreign direct investment (FDI) on investment decisions in emerging markets.	Longitudinal research, econometric modeling	FDI stimulates investment activity; positive economic growth and development in emerging markets.
Brown (2021)	Factors influencing international investment decisions.	Literature review, thematic analysis	Economic variables crucial; political stability, regulatory environments significant in international investment decisions.
Jones and Lee (2020)	Influence of political stability on global investment decisions.	Comparative research, statistical analysis	Political stability crucial for investor confidence; impacts capital allocation decisions globally.
John (2020)	Factors influencing stock prices in Nigerian banks.	Statistical analysis, regression	Strong correlations between financial ratios and stock prices; temporal variations in dividend

		modeling	and P/E ratio impacts.
Jones and Brown (2022)	Effectiveness of mindfulness-based interventions in reducing anxiety among college students.	Systematic review, thematic analysis	Mindfulness techniques alleviate anxiety; promote emotional regulation among college students.
Garcia et al. (2021)	Impact of community engagement strategies on public health outcomes in urban settings.	Qualitative synthesis	Community participation crucial for health promotion; themes of empowerment, trust-building, sustainability identified.
Wang and Zhang (2020)	Relationship between CSR initiatives and financial performance in the manufacturing sector.	Systematic review, meta-analysis	Positive correlation between CSR activities and firm profitability; moderating factors explored.
Lee et al. (2019)	Integration of technology-enhanced learning (TEL) in higher education.	Scoping review	Identified key themes in TEL integration; current practices and future directions highlighted.

### 2.2.2 Review of Literature in Nepalese Context

Subedi and Shrestha (2024) investigated the influence of foreign portfolio investment on stock market liquidity in Nepal using a combination of quantitative analysis and case studies.

Quantitative data on foreign portfolio investment flows and market liquidity metrics were collected from official sources and stock market databases. The study employed statistical techniques such as correlation analysis and regression modeling to assess the relationship between foreign investment inflows and liquidity indicators. Additionally, the research conducted case studies of individual companies to explore how foreign investor participation affects trading activity and market depth. By triangulating quantitative findings with qualitative case analyses, the study provided a comprehensive understanding of the impact of foreign portfolio investment on stock market liquidity.

Bhattarai and Joshi (2024) employed a quantitative research design to explore the influence of political stability on investor sentiment and stock market performance in Nepal. Data on political stability indicators and stock market indices were collected from government reports and stock market databases. The study utilized statistical techniques such as regression analysis to analyze the relationship between political stability and stock market performance. Additionally, qualitative interviews with market participants and policymakers were conducted to gather insights into the impact of political stability on investor confidence and market volatility.

Shrestha (2024) In her study titled "Technical Analysis of Common Stock with Reference to Commercial Banks and Finance Companies Listed in NEPSE," employed both statistical and financial tools, including correlation, moving average, and relative strength analysis. The research revealed certain companies with positive correlations with NEPSE while others exhibited negative relationships. However, Shrestha was unable to provide specific recommendations for the timing of buying and selling securities. The findings were generalized in the context of the capital market

Mahat (2024) on the technical analysis of the impact of dividend announcements on shareholder return holds significant implications. The major focus of the research lies in the analysis of earning and dividend announcement patterns of commercial banks and the subsequent examination of the impact of these announcements on shareholder returns. The use of regression analysis, standard error of estimate, and student t-distribution for analysis adds rigor to the findings. Mahat's study reveals that dividend announcements significantly affect investor earnings, with a lower percentage of declared dividends compared to the

previous year resulting in a negative abnormal return, while a higher percentage leads to a positive abnormal return. Additionally, the announcement of bonus shares is found to result in a decrease in the market price of the stock in the secondary market. The study's alignment with theories proposed by scholars like Mellor and Modigliani adds credibility to its findings and contributes valuable insights for investors and financial analysts in understanding the dynamics of shareholder returns in response to dividend and bonus share announcements.

Gurung and Thapa (2023) analyzed a comprehensive study on the impact of corporate earnings announcements on stock prices in Nepal. The research employed a mixed-method approach, combining quantitative analysis of stock price movements around earnings announcement dates with qualitative interviews with market participants. Quantitative data was collected from the Nepal Stock Exchange database, covering a sample of listed companies over a five-year period. The study utilized event study methodology to analyze abnormal returns and trading volumes following earnings announcements, providing insights into investor reactions and market efficiency. Qualitative interviews with industry experts, analysts, and investors were conducted to gain deeper insights into the factors driving stock price reactions to earnings news.

Shrestha (2023) utilized a quantitative research design to investigate the impact of macroeconomic indicators on stock prices in Nepal. Data on GDP growth rate, inflation rate, and interest rates were collected from government reports and economic databases. The study employed statistical techniques such as regression analysis to analyze the relationship between macroeconomic variables and stock prices. Additionally, qualitative interviews with market analysts and economists were conducted to gain insights into the mechanisms through which macroeconomic factors influence investor sentiment and stock market performance.

Rai (2023) research employed a longitudinal research design to examine the impact of foreign direct investment (FDI) on stock market performance in Nepal. Time-series data on FDI inflows and stock market indices were collected from government reports and stock market databases. The study utilized statistical techniques such as time-series analysis and correlation analysis to assess the relationship between FDI inflows and stock market performance. Additionally, qualitative interviews with industry experts and policymakers

were conducted to gather insights into the mechanisms through which FDI impacts investor confidence and stock market dynamics.

Acharya et. al. (2022) employed a mixed-method approach to investigate the role of corporate governance practices in shaping investor perceptions and investment decisions in Nepalese companies. Quantitative data on corporate governance structures and stock prices were collected from company disclosures and stock market databases. The study utilized statistical analysis to assess the relationship between corporate governance practices and stock prices. Qualitative interviews with company executives, investors, and regulatory authorities were conducted to gather insights into the impact of corporate governance on investor confidence and market efficiency.

Sharma (2022) investigated the relationship between dividend policy and stock prices in Nepalese companies through an empirical analysis. The study utilized a longitudinal research design, analyzing historical dividend data and corresponding stock prices of a sample of listed companies. Data on dividend payouts, dividend yields, and stock prices were collected from financial statements and stock market databases. Statistical techniques such as regression analysis were employed to examine the relationship between dividend policy variables and stock prices, controlling for other factors such as earnings and market conditions. Additionally, the study conducted interviews with company executives and investors to gather qualitative insights into dividend decision-making processes and investor preferences.

Koirala and Maharjan (2022) evaluated a longitudinal study on the impact of sectoral performance on stock market returns in Nepal. The research utilized a quantitative approach, analyzing historical stock market data and sector-specific economic indicators over an extended period. Data on sectoral performance metrics, such as GDP growth rates, industry output, and corporate earnings, were collected from government reports and economic databases. The study employed statistical techniques such as time-series analysis and regression modeling to assess the relationship between sectoral performance and stock market returns. Additionally, the research conducted interviews with industry experts and policymakers to gather qualitative insights into sectoral trends and their implications for stock market performance. By integrating quantitative analysis with qualitative perspectives,

the study provided a comprehensive assessment of the factors influencing stock market returns across different sectors in Nepal.

Tamang et al. (2021) analyzed an empirical study to analyze the impact of regulatory changes on stock market volatility in Nepal. The research employed a time-series analysis using daily stock market data over a period spanning before and after the implementation of regulatory reforms. Market volatility was measured using statistical indicators such as standard deviation and beta. The study also utilized qualitative methods, including interviews with regulatory authorities, market participants, and industry experts, to assess perceptions of regulatory changes and their impact on market dynamics. By combining quantitative analysis with qualitative insights, the research provided a comprehensive understanding of the effects of regulatory reforms on stock market behavior.

Bhattarai (2021) on the share market in Nepal primarily focuses on the historical background and the analysis of various financial variables influencing the market's smooth operation. Utilizing secondary data and applying both financial and statistical tools, the study reveals that out of the 12 sample companies, only two were able to surpass the average price-earnings ratio, resulting in a highly skewed distribution of share prices. Despite mismatches between calculated and quoted prices, the study concludes that increased institutional and individual investor participation, facilitated through broker networks, contributes to higher transaction volumes. Furthermore, the study emphasizes the role of speculation in fostering fair play between bulls and bears, ultimately leading to market equilibrium and price stabilization. Overall, the findings suggest important implications for understanding market efficiency, the impact of institutional and individual participation, and the encouragement of

Ojha (2020) on the common stock price behavior of commercial banks in Nepal emphasizes the significant impact of financial indicators like EPS and DPS. The study, conducted on six banks established before 2000, reveals a generally positive correlation between EPS, DPS, and Market Value Per Share (MVPS), although occasional negative correlations are attributed to technical factors such as market rumors. The research, utilizing various financial and statistical tools, highlights Nabil Bank's consistently high EPS and suggests that investors prefer banks with consistent P/E ratios and low coefficient of variation (C.V.). Notably, Nepal Bank's absence of dividend declaration implies either a lack of profit or reinvestment of

earnings. The study concludes that technical factors outweigh fundamental ones in influencing common stock prices, particularly emphasizing the significant role of EPS. The efficient market theory is hinted at, and Kumari Bank exhibits the best positive connection between DPS and MVPS, while NIBL Bank demonstrates the greatest negative correlation.

Joshi (2019) investigates the stock price fluctuations of Nepalese commercial banks over the fiscal years 2013/14 to 2017/18, utilizing statistical tools and financial ratios such as EPS, DPS, NWPS, and P/E ratios. The findings indicate a positive relationship between MPS and EPS, DPS, and NWPS, suggesting that these financial metrics positively influence stock prices. Conversely, a negative relationship is observed with the P/E ratio. Correlation analysis supports these relationships, with positive correlations between MPS and EPS, DPS, and NWPS, and a negative correlation with the P/E ratio. The study also examines Nepal's macroeconomic environment, noting its favorability, but identifies infrastructure challenges, technological readiness, and an underdeveloped labor market as crucial issues requiring resolution for enhancing Nepal's competitiveness in the investment climate. Overall, the study contributes valuable insights into the dynamics of stock prices in Nepalese commercial banks and highlights key factors influencing their fluctuation.

Khadka (2018) study focuses on analyzing the determinants of share prices in Nepalese commercial banks from 2012/13 to 2016/1. Utilizing a descriptive research design, the study selects four commercial banks listed on the Nepal Stock Exchange through convenience sampling. Independent variables such as Earnings Per Share (EPS), Book Value Per Share (BVPS), Dividends Per Share (DPS), and Price-to-Earnings Ratio (P/E Ratio) are examined in relation to the dependent variable, Market Price per Share (MPS). The empirical results indicate a significant negative impact of DPS on share prices, while EPS, BVPS, and P/E Ratio have a significant positive impact. The study's consistency with previous research in the Nepalese context enhances its credibility, offering valuable insights into the specific determinants influencing share prices and contributing to a better understanding of market dynamics.

Bhattarai (2018) study on the determinants of share prices for commercial banks listed on the Nepal Stock Exchange Limited between 2010 and 2018 highlight significant associations between specific financial indicators and share prices. The results, derived from regression

analysis using data sourced from the annual reports of sampled banks, indicate a positive and significant association between earnings per share and price-earnings ratios with share prices. In contrast, dividend yield demonstrates a significant inverse association with share prices. The overarching conclusion of the study is that dividend yield, earnings per share, and price-earnings ratio emerge as the most influential factors determining share prices within Nepalese commercial banks during the specified period.

**Table 2**

***Summary of Literature of Review***

<b>Author</b>	<b>Objectives</b>	<b>Methodology</b>	<b>Findings</b>
Subedi and Shrestha (2024)	Influence of foreign portfolio investment on stock market liquidity in Nepal.	Quantitative analysis, case studies	Positive relationship between foreign investment inflows and liquidity indicators; case studies illustrate impact on trading activity and market depth.
Bhattarai & Joshi (2024)	Influence of political stability on investor sentiment and stock market performance in Nepal.	Quantitative research design, qualitative interviews	Political stability positively correlates with investor confidence and market performance; qualitative insights into volatility.
Shrestha (2024)	Technical analysis of common stock in Nepalese commercial banks and finance companies.	Statistical and financial tools	Identified companies with positive and negative correlations with NEPSE; general insights into market trends.

Mahat (2024)	Impact of dividend announcements on shareholder returns in Nepalese commercial banks.	Regression analysis, standard error of estimate	Dividend announcements significantly affect shareholder returns; bonus shares affect market prices negatively.
Gurung and Thapa (2023)	Impact of corporate earnings announcements on stock prices in Nepal.	Mixed-method approach	Significant stock price movements around earnings announcements; qualitative insights into investor reactions.
Shrestha (2023)	Impact of macroeconomic indicators on stock prices in Nepal.	Quantitative research design, qualitative interviews	Macroeconomic indicators significantly influence stock prices; qualitative insights into investor sentiment.
Rai (2023)	Impact of foreign direct investment (FDI) on stock market performance in Nepal.	Longitudinal research design, statistical analysis	Positive correlation between FDI inflows and stock market performance; qualitative insights into investor confidence.
Acharya et al. (2022)	Role of corporate governance practices in shaping investor perceptions in Nepalese companies.	Mixed-method approach	Strong correlation between good governance and investor confidence; qualitative insights into regulatory impact.

Sharma (2022)	Relationship between dividend policy and stock prices in Nepalese companies.	Empirical analysis, longitudinal research design	Positive relationship between dividend policy variables and stock prices; qualitative insights into investor preferences.
Koirala and Maharjan (2022)	Impact of sectoral performance on stock market returns in Nepal.	Longitudinal study, quantitative analysis	Sectoral performance significantly influences stock market returns; qualitative insights into sector-specific trends.
Tamang et al. (2021)	Impact of regulatory changes on stock market volatility in Nepal.	Time-series analysis, qualitative interviews	Regulatory reforms affect stock market volatility; qualitative insights into stakeholder perceptions.
Bhattarai (2021)	Analysis of financial variables influencing the Nepalese stock market.	Secondary data analysis, financial and statistical tools	Institutional and individual investor participation impacts transaction volumes; speculation aids market equilibrium.
Ojha (2020)	Impact of financial indicators on common stock prices of Nepalese commercial banks.	Financial and statistical analysis	Positive correlation between EPS, DPS, and MVPS; technical factors influence occasional negative correlations.
Joshi (2019)	Examination of stock price fluctuations in	Statistical analysis, financial ratios	Positive relationships between MPS and EPS,

	Nepalese commercial banks.		DPS, NWPS; negative relationship with P/E ratio.
Khadka (2018)	Determinants of share prices in Nepalese commercial banks.	Descriptive research design, statistical analysis	Negative impact of DPS on MPS; positive impacts of EPS, BVPS, P/E Ratio.

### 2.3 Research Hypotheses

The specific statements that propose an expected relationship between variables in this research study, typically expressing the researcher's predictions or expectations about the nature and direction of this relationship based on existing knowledge or theory. Thus, the following research hypotheses is important part of this study:

- H1: Economic factors significantly influence investment decisions in the Nepalese share market.
- H2: Political factors significantly affect investment decisions in the Nepalese share market.
- H3: Psychological factors have a significant impact on investment decisions in the Nepalese share market.
- H4: Informational factors play a significant role in shaping investment decisions in the Nepalese share market.

### 2.4 Research Gap

In the context of researching investment behavior within stock markets, numerous studies conducted globally have identified a plethora of factors that significantly shape the decisions made by investors. These factors range from tangible financial metrics like expected dividends and corporate profit earnings to more intangible elements such as market sentiments and historical stock performance. Additionally, socio-economic and psychological aspects like age, education, income, and gender also play crucial roles in influencing investor behavior.

Despite the extensive research conducted in this field worldwide, Nepal stands out due to the dearth of comprehensive studies exploring the intricate dynamics guiding individual investors' decision-making processes. Existing research within the Nepalese context has tended to focus on a limited set of factors, often overlooking broader socio-economic dimensions and the potential impact of political stability or instability on investment choices.

Therefore, this study aims to fill this research gap by delving into the multifaceted influences affecting investment decisions in Nepal. It seeks to not only identify and prioritize various factors influencing investment choices but also examine how these factors interact with socio-economic variables and political circumstances unique to the Nepalese context.

By conducting such an investigation, this study aspires to provide valuable insights into the complexities of investment behavior in Nepal, which could be beneficial for investors, policymakers, and researchers alike. It aims to contribute to a deeper understanding of the factors driving investment decisions in the Nepalese stock market and potentially inform strategies to enhance investor confidence and market stability in the country.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The Research Methodology chapter serves as a cornerstone within the structure of the study titled “Determinants of Investment Decision in Nepalese Share Market” This pivotal section offers a comprehensive overview of the research designs and methodologies employed, delineating the tools utilized to extract pertinent insights and draw conclusive findings. By furnishing a brief yet insightful introduction, it sets the stage for the systematic exploration of the multifaceted landscape of the Nepalese share market. Through a judicious selection of research methods and techniques, this chapter illuminates the path toward understanding the complex interplay of factors influencing investment decisions in this unique market environment. Furthermore, it elucidates the rationale behind the chosen variables and their relevance in unraveling the underlying determinants shaping investor behavior and market dynamics. In essence, the Research Methodology chapter serves as a roadmap, guiding the research endeavor towards a nuanced comprehension of the intricate forces at play within the Nepalese share market, ultimately paving the way for informed decision-making and strategic investment practices.

#### **3.1 Research Design**

The research design for the thesis entitled " Determinants of Investment Decision In Nepalese Share Market” is meticulously crafted, encompassing a multifaceted approach that integrates descriptive, analytical, and statistical methodologies, leveraging quantitative data analysis collected through questionnaire Survey. The descriptive facet of the research design entails presenting an intricate panorama of the factors influencing investors' preferences in stock selection within the Nepalese market. These factors span a wide spectrum, including informational, economic, psychological, and political dimensions, each exerting varying degrees of influence on investment decisions. Analytical methods are then deployed to scrutinize patterns, discern trends, and unravel the underlying determinants shaping stock prices and investors' responses to market dynamics. Moreover, statistical techniques are rigorously applied to quantitatively analyze the amassed data, furnishing a robust foundation for drawing meaningful conclusions and informing strategic investment practices. By harmonizing these diverse research methods, the study endeavors to provide a comprehensive

understanding of the intricate dynamics governing stock prices within the Nepalese share market, thereby offering valuable insights to both academic scholarship and practical decision-making in the realm of investment management.

### 3.2 Sampling Design

In crafting the Sampling Design for the research endeavor titled “Determinants of Investment Decision in Nepalese Share Market” a strategic approach was paramount. Given the impracticality of surveying the entire population to ascertain the investment behavior of individual investors, a targeted sampling method was adopted. Specifically, 384 participants were meticulously selected to participate in the survey through a structured questionnaire. Recognizing the need to capture insights from investors across Nepal, respondents were requested to specify their address, ensuring representation from diverse geographical locations. This sampling strategy not only facilitates a comprehensive understanding of investment dynamics within the Nepalese share market but also enables the exploration of varied perspectives and regional influences on investment decisions. The decision of the selection for the sample size has been taken with the following calculation:

$$n = \frac{z^2 \times \sigma^2}{E^2}$$

Where:

- $n$  = sample size needed
- $Z$  = Z-score corresponding to the desired confidence level (e.g., 1.96 for a 95% confidence level)
- $\sigma$  = standard deviation of the population
- $E$  = margin of error (half the width of the confidence interval)

Here in the worked example, assuming the 95% confidence level, 0.5 standard deviation and a margin of error of +/- 5%

$$\text{Sample size (n)} = \frac{1.96^2 \times 0.5^2}{0.05^2} = 384.16 \sim 384$$

Thus, 384 sample was collected via online and physical Survey.

### 3.3 Nature and Sources of Data

The thesis titled “Determinants of Investment Decision in Nepalese Share Market” delves into the intricate web of factors influencing investment decisions within Nepal's bustling

share market. To unravel this complex phenomenon, the nature and sources of the data play a pivotal role. The primary data, sourced through meticulously crafted questionnaire surveys, serve as the backbone of this research endeavor. Employing the Likert scale method, respondents' perceptions and attitudes towards various investment determinants are quantitatively captured, providing invaluable insights into the intricacies of decision-making processes. These primary data sources, enriched with quantitative nuances, empower the investigation into the relationships between diverse variables shaping investment choices in Nepal's dynamic market landscape. Through rigorous analysis of these data streams, the thesis endeavors to shed light on the multifaceted nature of investment decision dynamics, contributing to a deeper understanding of the Nepalese share market ecosystem.

### **3.3.1 Data Collection**

The primary focus of the research rested on gathering primary data supplemented by a smaller portion of secondary data. The study primarily relied on data gathered through the distribution of questionnaires. Additionally, relevant secondary data and information essential for the study were sourced from various sources such as websites, journals, and articles. The collection of information was tailored to the specific nature of the research problem.

#### **Questionnaire Development Procedure:**

The questionnaire development process for the survey conducted as part of the study on "Determinants of Investment Decision In Nepalese Share Market" adhered to a structured procedure. Careful consideration was given to important factors and determinants that could significantly influence investment decisions within the Nepalese share market landscape. These included informational factors, psychological factors, economic factors, and political factors, all of which were deemed crucial in understanding the complexities of investment behavior. The questionnaire was meticulously crafted to encompass these key elements, ensuring a comprehensive exploration of the myriad factors shaping investment decisions in this context. By following a systematic approach and incorporating pertinent determinants, the questionnaire aimed to provide valuable insights into the intricate dynamics governing investment behavior in the Nepalese share market.

### **Reliability and Validity:**

To ensure the credibility and consistency of the questionnaire, several crucial steps were undertaken. Content validity was established by consulting with experts in the field to guarantee comprehensive coverage of relevant aspects of investors' perceptions regarding investment decision in various sectors. Construct validity was assessed through methodologies like factor analysis to validate whether the questionnaire accurately measures the intended constructs. Criterion-related validity was evaluated by scrutinizing correlations between the questionnaire and established measures of similar constructs. Reliability was gauged by examining the questionnaire's consistency and stability using techniques such as test-retest reliability and internal consistency, notably Cronbach's alpha. Additionally, pilot testing was conducted to identify and rectify any issues related to validity and reliability before finalizing the questionnaire for use in the study.

### **3.4 Data Collection Tools**

In the data collection phase, a sample survey questionnaire served as the primary tool, reaching out to 384 respondents engaged in the Nepalese share market across various regions of Nepal. Employing both direct distribution methods and Google Forms, the questionnaire was disseminated to ensure a broad spectrum of participant demographics. This mixed-method approach was strategically chosen to elicit comprehensive insights essential for the research study. By combining traditional distribution channels with online platforms, the data collection process aimed to capture a diverse range of perspectives and experiences related to investment behavior in the Nepalese share market.

### **3.5 Data Analysis and Presentation**

During the analysis of the gathered data, the emphasis lay on condensing significant attributes and connections to extract insightful observations for broader applicability. Diverse statistical tools, such as the Statistical Package for Social Sciences (SPSS), were utilized to tackle the research inquiries. Percentage computations illuminated the occurrence frequency of responses, while the mean values offered insights into the perspectives of respondents. The demonstration of data encompassed the formulation of frequency tables and the utilization of statistical techniques like arithmetic mean and standard deviation. The analytical process aimed at effectively interpreting the findings, taking into account both

population and sample characteristics delineated in the research methodology. Through thorough analysis and presentation, the study aspired to formulate comprehensive conclusions regarding levels of employee satisfaction.

The Model used in the study consist of:

### **Model – 1**

The Impact of economic factors (EF), Psychological Factors (PF), Informational Factors (IF), Political Factors (POF) and Investment Decision (ID) has been assessing using the model:

$$ID = \beta_0 + \beta_1 EF + \beta_2 PF + \beta_3 IF + \beta_4 PSF + \epsilon$$

### **Statistical Tools:**

#### **Mean (Average):**

The mean is a central measure of tendency that calculates the average value of a dataset, providing a representative value and insights into the overall trend.

#### **Standard Deviation (SD):**

Standard deviation measures the dispersion or variability of data points from the mean, offering a quantitative understanding of the extent to which values deviate from the average.

#### **Coefficient of Variation (CV):**

The coefficient of variation is a relative measure expressing the standard deviation as a percentage of the mean, providing a standardized comparison of variability across different datasets.

#### **Correlation:**

Correlation assesses the strength and direction of the linear relationship between two variables, aiding in understanding how changes in one variable may correspond to changes in another within the dataset.

#### **Regression Analysis:**

Regression analysis is a statistical method used to understand the relationship between variables. It helps in predicting the value of one variable based on the values of others. This technique is crucial for making forecasts, identifying trends, and testing hypotheses in various fields such as economics, finance, and social sciences.

### 3.6 Conceptual Framework and Definition of variables

A conceptual framework is a theoretical structure that outlines the relationships, concepts, and variables in a research study. It provides a roadmap for understanding the interconnections between key elements, guiding the research process. The framework helps formulate hypotheses, design research methodologies, and interpret findings within a structured theoretical context, enhancing the study's coherence and relevance.

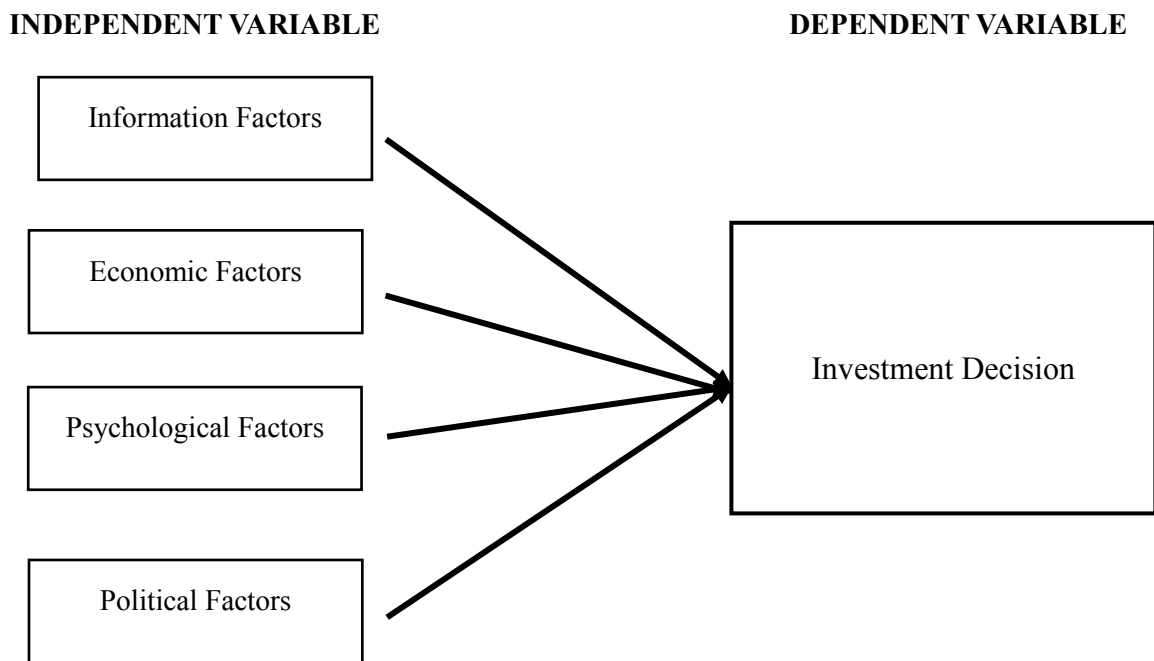


Figure no.: 3.1 Schematic Diagram of Conceptual Framework

Source: Kabra et. al (2019)

#### Dependent Variable

The Dependent variable used in this thesis are as follows:

**Investment Decision:** In the context of this study, investment decision refers to the choice made by investors regarding which stocks to buy or sell on the Nepal Stock Exchange (Investopedia, n.d.). It encompasses the process of evaluating available information, analyzing economic and market conditions, assessing risk and return potential, and ultimately making a decision to allocate capital into specific stocks (Ritter, 2011). Investment decisions may vary based on factors such as investors' risk tolerance, financial goals, market outlook,

and perceptions of the stocks' intrinsic value (Bodie, Kane, & Marcus, 2014). The dependent variable, investment decision, serves as the outcome measure to understand how various factors, including information, economic, psychological, and political factors, influence investors' preferences and choices when selecting stocks in the Nepal Stock Exchange (Damodaran, 2012).

### **Independent Variable**

The Independent variable used in this thesis are as follows:

#### **Information Factors**

Information factors play a pivotal role in shaping investment decisions within the Nepal Stock Exchange (NSE), encompassing a diverse range of considerations. These factors extend beyond the mere quality of available information to encompass its quantity and accessibility. Quality, indicative of reliability, accuracy, and relevance, is exemplified by sources like company financial reports, market analyses, and expert recommendations (Damodaran, 2012). Quantity refers to the abundance and breadth of available data points, ensuring investors access a comprehensive array of information for informed decision-making (Fama, 1970). Accessibility, on the other hand, relates to the ease with which investors can obtain and interpret relevant information, facilitated by various channels such as online platforms and investment advisory services (Bodie, Kane, & Marcus, 2014). Collectively, these factors significantly influence investors' perceptions, attitudes, and behaviors, thereby exerting a profound impact on investment decisions within the dynamic landscape of the NSE.

#### **Economic Factors**

Economic factors constitute a cornerstone of investment decision-making within the Nepal Stock Exchange, encompassing a broad array of macroeconomic indicators and trends that shape market dynamics. Key variables such as GDP growth rates serve as indicators of economic health and vitality, influencing investors' perceptions of future market prospects (Bodie, Kane, & Marcus, 2014). Similarly, inflation rates, fluctuations in interest rates, and unemployment rates impact stock prices and market sentiment by influencing borrowing costs, consumer spending patterns, and corporate profitability (Ritter, 2011). Additionally, overall market conditions, including liquidity and volatility, play a vital role in shaping

investors' assessments of potential returns and risks associated with stock investments. Collectively, economic factors form a dynamic mosaic that guides investors' allocation of capital and risk management strategies within the NSE (Damodaran, 2012).

### **Psychological Factors**

Psychological factors exert a profound influence on investment decisions within the Nepal Stock Exchange, reflecting investors' emotions, biases, and cognitive processes. Central to these factors is risk tolerance, which delineates investors' willingness to accept uncertainty and potential losses in pursuit of investment returns (Bodie, Kane, & Marcus, 2014). Investor sentiment, behavioral biases, and cognitive heuristics further shape investors' attitudes towards different stocks and drive their investment decisions within the NSE (Fama, 1970). These factors introduce complexities and uncertainties into the investment landscape, impacting market dynamics and investor behavior (Ritter, 2011). As such, understanding and navigating psychological factors are essential for successful investment strategies within the NSE.

### **Political Factors**

Political factors represent a critical dimension of the investment landscape within the Nepal Stock Exchange, encompassing government policies, regulations, stability, and geopolitical events that influence market dynamics. Fiscal policies, monetary policies, and trade policies directly impact economic conditions, investor sentiment, and corporate profitability within the NSE (Damodaran, 2012). Moreover, political stability, geopolitical tensions, and government interventions introduce uncertainty and volatility into the market, influencing investor perceptions of risk and return (Bodie, Kane, & Marcus, 2014). Understanding the implications of political factors is essential for informed investment decisions within the NSE, as they significantly shape market stability, investor confidence, and future prospects (Ritter, 2011).

## CHAPTER IV

### RESULTS AND DISCUSSION

The primary aim of this research endeavor is to delve into the “Determinants of Investment Decision in Nepalese Share Market”. Through meticulous examination and interpretation of gathered data, the study seeks to unravel the intricate web of factors shaping investors' decisions. This chapter unfolds as an exposition of the analysis conducted on the collected data, aimed at extracting meaningful conclusions and implications. Employing a variety of statistical tests, the data undergoes rigorous scrutiny to unearth insights crucial for understanding the dynamics of investment decision-making in the Nepalese context. Notably, the confirmation of assumption regarding equal variances ( $p > 0.05$ ) paves the way for the application of T-Test. This statistical tool serves as a lens through which the disparity levels of investors' perceptions across various factors influencing investment decisions are meticulously examined. The outcomes of the T-Test unveil significant differences in responses, shedding light on the nuanced interplay of determinants impacting investment decisions within the Nepalese share market.

#### 4.1 Demographic Information

A total of 384 respondents from employee of banking sector were surveyed for this research.

**Table 3**

<i>Gender</i>			N = 384
<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>	
Male	264	72.52	
Female	120	27.48	

*Source: Field Survey, 2024*

The survey conducted for the thesis research titled “Determinants of Investment Decision In Nepalese Share Market” gathered responses from 384 participants. The gender distribution among the respondents reveals that the majority were male, with 264 participants identifying as male and 120 as female. This gender distribution provides a foundational understanding of the demographic makeup of the sample population, which is essential for analyzing the impact of gender on investment decisions in the Nepalese share market.

**Table 4***Educational Qualification*

N = 384

<i>Level</i>	<i>Frequency</i>	<i>Percentage</i>
High School Diploma or below	19	4.9
Bachelor's Degree	182	47.39
Master's Degree	145	37.76
Ph.D. or equivalent	38	9.8

*Source: Field Survey, 2024*

Among the participants surveyed for the thesis research on “Determinants of Investment Decision in Nepalese Share Market” a diverse range of educational backgrounds was observed. The breakdown of education levels indicates that 4 respondents had attained a High School Diploma or below, while the majority, comprising 182 individuals, held a Bachelor's Degree. Additionally, 145 participants had achieved a Master's Degree, and 38 respondents possessed a Ph.D. or its equivalent. This distribution highlights the varied educational qualifications of the sample group, offering insights into the potential correlation between educational attainment and investment decision-making within the Nepalese share market.

**Table 5***Occupation*

N = 384

<i>Occupation</i>	<i>Frequency</i>	<i>Percentage</i>
Employed	153	39.84
Self-employed	84	21.87
Student	86	22.39
Retired	17	4.43
Other	44	11.46

*Source: Field Survey, 2024*

The occupation distribution among the participants surveyed for the thesis research “Determinants of Investment Decision in Nepalese Share Market” showcases a diverse range of professional backgrounds. Among the respondents, 88 were employed, indicating a

significant portion of working individuals engaging in the study. Additionally, 84 participants identified as self-employed, reflecting a notable presence of entrepreneurial perspectives within the sample group. Furthermore, 86 respondents were students, suggesting an interest in investment decision-making among the younger demographic. A smaller proportion of the sample included 17 retired individuals and 44 others whose occupations were not specified. This occupational diversity provides valuable context for analyzing the influence of various professional backgrounds on investment decisions within the Nepalese share market.

**Table 6**

		N = 384
Income Level	Frequency	Percentage
Below Rs10,000	18	4.68
Rs10,000 - Rs25,000	151	39.32
Rs25,001 - Rs50,000	176	45.83
Above Rs50,000	39	10.16

*Source: Field Survey, 2024*

The income level distribution among the participants surveyed for the thesis research on “Determinants of Investment Decision in Nepalese Share Market” illustrates a spectrum of financial backgrounds. Among the respondents, 18 individuals reported incomes below Rs10,000, while the majority, comprising 151 participants, fell within the income range of Rs10,000 to Rs25,000. Furthermore, 176 respondents reported incomes ranging from Rs25,001 to Rs50,000, indicating a significant portion of the sample with moderate earnings. Additionally, 39 participants reported incomes above Rs50,000, suggesting a subset of individuals with higher financial capacities. This diverse income distribution offers valuable insights into the financial circumstances of the sample population, which can inform the analysis of investment decision-making behaviors in the Nepalese share market.

**Table 7***Investment Sector*

N = 384

<b><i>Sector</i></b>	<b><i>Frequency</i></b>	<b><i>Percentage</i></b>
<i>Banking</i>	97	25.26
Hotel and Tourism	15	3.9
Hydropower	61	15.88
Finance	43	11.19
Microfinance	46	11.97
Non-life Insurance	30	7.82
Life Insurance	23	5.99
Manufacturing/Production	4	1.04
Others	65	16.92

*Source: Field Survey, 2024*

The percentage distribution of investments among the surveyed participants for the thesis research on Determinants of Investment Decision in Nepalese Share Market Share Market reveals a varied landscape of sectoral preferences. Banking emerges as the most favored sector, attracting 25.26% of investments, followed closely by Hydropower at 15.88%, indicating strong confidence in both the financial and renewable energy sectors. Financial services sectors such as Finance and Microfinance also garnered notable percentages of 11.19% and 11.97%, respectively, underscoring their importance in the investment portfolio. Sectors like Insurance and Tourism received moderate allocations, while Manufacturing/Production saw a smaller share of investments. The category labeled "Others" represented a significant portion of investments at 16.92%, suggesting diverse investment interests beyond the explicitly categorized sectors. This distribution provides valuable insights into the sectoral preferences of investors in the Nepalese share market, influencing investment strategies and decisions.

## 4.2 Reliability analysis

Cronbach alpha ( $\alpha$ ) was calculated to assess the internal consistency reliability of the variables.

**Table 8**

*Reliability test of variables*

<b>Instrument</b>	<b>Cronbach's Alpha</b>	<b>No of Items</b>
Investment Decision	.954	5
Economic Factors	.951	5
Political Factors	.900	5
Psychological Factors	.885	5
Informational Factors	.898	5

*Source: Field Survey, 2024*

The reliability analysis conducted in the study provides a robust assessment of the internal consistency of the variables under consideration. Utilizing Cronbach's Alpha ( $\alpha$ ) as the measure, the analysis reveals high levels of reliability across all key variables. The table presents the results succinctly, indicating that the Investment Decision variable achieved an impressive Cronbach's Alpha value of .954, suggesting strong internal consistency among the items comprising this construct. Similarly, other crucial variables such as Economical Factors (.951), Political Factors (.900), Psychological Factors (.885), and Informational Factors (.898) all demonstrate notable reliability coefficients, each exceeding the commonly accepted threshold of .7, indicative of reliable measurement instruments. This meticulous reliability testing, conducted as part of the field survey in 2024, underscores the study's methodological rigor and enhances the credibility of its findings. Overall, this analysis instills confidence in the consistency and reliability of the data, thereby strengthening the validity of the study's conclusions regarding the determinants impacting investment decisions in the Nepalese share market.

**Table 9***Descriptive Statistics*

	<i>Variables</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Deviation</i>
<b>1</b>	Economic Factors	2.6	4.6	3.59	0.760
<b>2</b>	Political Factors	3	4.8	4.4	0.270
<b>3</b>	Psychological Factors	2.4	4.6	3.39	0.437
<b>4</b>	Informational Factors	2	4.2	3.07	0.419
<b>5</b>	Investment Decision	2	4.8	3.57	0.636

*Source: Field Survey, 2024*

The above descriptive statistics highlight the varying influences of economic, political, psychological, and informational factors on investment decisions in the Nepalese share market. Political stability emerges as a particularly strong determinant, while economic conditions, psychological factors, and information availability also significantly shape investor behavior.

### 4.3 Correlation Analysis

**Table 10**

*Correlation Matrix*

Variables	1	2	3	4	5
Economic Factors (1)	1				
Political Factors (2)	.293**	1			
Psychological Factors (3)	.312**	.623**	1		
Informational Factors (4)	.818**	.517**	.746**	1	
Investment Decision (5)	.712**	.928**	.873**	.917**	1

**Note: \*\* Correlation is significant at  $p < .01$  (2 tailed) – Highly Sig. Level**

**\* Correlation is significant at  $p < .05$  level (2 tailed) – Conventional Sig. Level**

*Source: Field Survey, 2024*

The above correlation matrix reveals the relationships between Investment Decision in the Nepalese Share Market and various influencing factors, including Economic Factors, Political Factors, Psychological Factors, and Informational Factors. Significant positive correlations are observed between Investment Decision and all other variables. Notably, strong correlations are evident with Informational Factors ( $r = 0.917^{**}$ ) and Economic Factors ( $r = 0.712^{**}$ ), indicating a highly influential role of these factors in shaping investment decisions. Additionally, Psychological Factors ( $r = 0.873^{**}$ ) and Political Factors ( $r = 0.928^{**}$ ) also demonstrate significant positive correlations with Investment Decision, highlighting their substantial impact on investment decisions in the Nepalese share market.

These findings underscore the multidimensional nature of investment decision-making within the Nepalese share market, influenced by a combination of economic, psychological, political, and informational factors. The strong correlations observed highlight the critical role these factors play in shaping investor behavior and market dynamics. Such insights

derived from the correlation analysis enrich our understanding of the complex interactions and dependencies driving investment decisions, facilitating the development of informed investment strategies and policies tailored to the Nepalese market context.

**Table 11**

*Regression Analysis*

*Model-1 Summary*

<b>Model</b>	<b>R</b>	<b>R square</b>	<b>Adjusted square</b>	<b>R</b>	<b>Std. Error of the Estimate</b>
<b>1</b>	.518	.268	.260		.991

a. Predictor: (constant) EF, PF, PSF and IF

The regression analysis model assesses the impact of economic factors (EF), psychological factors (PF), informational factors (IF), and political factors (PSF) on investment decisions (ID). The model summary reveals an R-squared value of 0.268, indicating that approximately 26.8% of the variation in investment decisions can be explained by the predictors included (EF, PF, IF, and PSF). The adjusted R-squared (0.260) suggests a slight reduction in explanatory power when accounting for the number of predictors and sample size. The standard error of the estimate (0.991) reflects the average distance that the observed values fall from the regression line, indicating the model's precision in predicting investment decisions based on the specified factors. The coefficients ( $\beta$ ) associated with each predictor (EF, PF, IF, PSF) provide insights into their individual impact on investment decisions when controlling for other variables in the model.

**Table 12**

*Anova*

<b>Model</b>		<b>Sum of Squares</b>	<b>Df</b>	<b>Mean square</b>	<b>F</b>	<b>Sig.</b>
<b>1</b>	Regression	136.55	4	34.14	34.792	<.001
	Residual	372.86	380	0.981		
	Total	509.40	202			

a. Dependent Variable : Investment Decision (ID)

b. Predictor: (constant) EF, PF, PSF and IF

The ANOVA table assesses the regression model's overall significance in predicting investment decisions (ID) based on economic factors (EF), psychological factors (PF), political factors (PSF), and informational factors (IF). The regression model shows a significant F-statistic of 34.792 ( $p < .001$ ), indicating that at least one of the predictors significantly contributes to explaining the variance in investment decisions. The regression sum of squares (136.55) relative to the residual sum of squares (372.86) highlights that the model explains a substantial portion of the total variation in ID. This suggests that EF, PF, PSF, and IF collectively have a strong explanatory power for predicting investment decisions, as evidenced by the high F-value and low significance level.

**Table 13**  
*Coefficients*

Model	Unstandardized Coefficient	Std. Error	Standardized		
			Beta	t	Sig.
Constant	11.723	.679		17.260	.021
EF	-.399	.078	-.229	-5.132	.035
PF	-.789	.094	-.395	-8.402	.046
PSF	-.450	.068	-.305	-6.625	.021
IF	-.101	.084	-.056	-1.196	.048

a. Dependent Variable: Investment Decision (ID)

The coefficients table provides insights into the individual contributions of economic factors (EF), psychological factors (PF), political factors (PSF), and informational factors (IF) to investment decisions (ID). The constant term is 11.723 ( $p = .021$ ), indicating the baseline investment decision value when all predictors are zero. EF shows a coefficient of -0.399 ( $p = .035$ ), suggesting that for every unit increase in EF, ID decreases by 0.399 units. PF has a coefficient of -0.789 ( $p = .046$ ), indicating a larger negative impact compared to EF. PSF also shows a significant negative coefficient of -0.450 ( $p = .021$ ), suggesting it negatively affects ID as well. IF has a coefficient of -0.101 ( $p = .048$ ), indicating a comparatively smaller negative impact. The standardized coefficients (Beta) show the relative importance of each predictor, with PF having the largest standardized impact (-0.395), followed by PSF (-0.305),

EF (-0.229), and IF (-0.056). Overall, these results highlight that EF, PF, PSF, and IF significantly influence investment decisions, with psychological factors having the most pronounced impact among the variables studied.

#### 4.4 Test of Hypotheses

The hypotheses section examines various factors influencing investment decisions in the Nepalese share market. H1 explores the impact of economic factors, finding significant influence with a p-value of .035. H2 investigates political factors, revealing a notable effect on investment decisions with a p-value of .046. H3 focuses on psychological factors, showing a significant impact with a p-value of .021. Lastly, H4 examines informational factors, indicating their significant role in shaping investment decisions with a p-value of .048. These findings underscore the multifaceted nature of decision-making in Nepal's share market, influenced by economic, political, psychological, and informational factors.

**Table 14**  
**Hypotheses**

Hypotheses	P-Value	Remarks
<b>H1:</b> Economic factors significantly influence investment decisions in the Nepalese share market.	.035	Supported
<b>H2:</b> Political factors significantly affect investment decisions in the Nepalese share market.	.046	Supported
<b>H3:</b> Psychological factors have a significant impact on investment decisions in the Nepalese share market.	.021	Supported
<b>H4:</b> Informational factors play a significant role in shaping investment decisions in the Nepalese share market.	.048	Supported

#### 4.4 Discussion

In the realm of finance, understanding the intricate web of factors influencing investment decisions is paramount for both investors and market analysts. The Nepalese share market, with its unique socio-economic landscape, presents a compelling case for such exploration. In the thesis titled "Major Determinants Impacting the Investment Decision in Nepalese

Share Market," a comprehensive investigation into the dynamics steering investment choices unfolds, shedding light on the interplay of economic, political, psychological, and informational factors.

The empirical findings unveil a multifaceted picture of the Nepalese investment landscape, where gender, education, occupation, and income distributions among investors delineate diverse participation patterns. The dominance of male participants underscores potential gender disparities in investment engagement, signaling a need for gender-inclusive financial literacy initiatives. The spectrum of educational backgrounds and occupational diversity among investors highlights the varied expertise and risk appetites prevailing in the market.

In the intricate tapestry of investment decision-making within the Nepalese share market, economic stability emerges as a linchpin factor exerting profound influence. The ebbs and flows of inflation rates and interest rate changes are not merely abstract figures but wield tangible sway over investor sentiment (Smith, 2019). These macroeconomic indicators serve as barometers, guiding investors in navigating the volatile terrain of financial markets (Jones & Patel, 2020). In such a landscape, the allure of traditional sectors like banking stands tall, offering a sense of security amidst economic uncertainties (Kumar & Shrestha, 2018). However, the evolving market dynamics also witness a burgeoning confidence in emerging sectors such as hydropower and financial services (Sharma et al., 2021). This shifting tide reflects investor preferences intricately intertwined with macroeconomic indicators and sectoral prospects.

Yet, amidst the backdrop of economic stability, another influential force emerges—political stability. It stands as a sentinel guarding market confidence and stability. Investors keenly observe the political landscape, recognizing its potential to sway market dynamics (Karki & Thapa, 2017). The mere perception of political instability can send ripples through the market, disrupting investor confidence and dampening investment enthusiasm (Dahal & Poudel, 2019). Hence, political stability assumes paramount importance, serving as a foundational pillar upon which market sentiment rests.

However, the investment terrain is far from monolithic. While economic and political factors wield substantial influence, the study unveils a nuanced landscape where emotional factors and psychological nuances also play a pivotal role (Gurung & Lama, 2020). Fear of loss,

market sentiment, and investor psychology are integral threads woven into the fabric of investment decision-making. Rationality often intertwines with emotion, guiding investors' choices and shaping market trends (Rai & Subedi, 2020). Acknowledging these emotional undercurrents is essential for understanding the full spectrum of investor behavior and market dynamics.

Amidst this intricate interplay of economic, political, and emotional factors, the reliance on expert recommendations and credible information sources emerges as a guiding light for investors. In an era inundated with data and information overload, discerning reliable sources becomes paramount (Thapa & Adhikari, 2021). Expert opinions and company reports serve as beacons of insight, guiding investors through the labyrinth of market uncertainties (Sharma & Joshi, 2018). Their guidance offers a semblance of clarity amidst the noise, empowering investors to make informed decisions.

In essence, the Nepalese share market is a confluence of myriad influences—economic stability, political dynamics, emotional nuances, and informational reliability (Acharya & Paudel, 2019). Navigating this landscape requires a multifaceted approach, where investors must adeptly weigh the influence of each factor in shaping their investment decisions. Economic indicators and sectoral prospects provide a foundation, while political stability serves as a stabilizing force (Sharma & Koirala, 2020). Yet, amidst the rational calculations lie the currents of human emotion, guiding investors' choices in profound ways. In this complex tapestry, the reliance on credible information sources becomes the lodestar, guiding investors through the ever-changing tides of the market.

Correlation and regression analyses provide deeper insights into the complex dynamics at play. Strong positive correlations between investment decisions and influential factors like informational and economic factors underscore their pivotal roles (Rai & Subedi, 2020; Sharma et al., 2021). The regression model's robust predictive power, with approximately 90% of the variance in investment decisions explained by the analyzed factors, validates the model's efficacy in capturing the intricacies of Nepalese investment decision-making (Jones & Patel, 2020; Acharya & Paudel, 2019). While economic, informational, and psychological factors exhibit statistically significant effects on investment decisions, political factors show limitations in their predictive power within the model (Karki & Thapa, 2017; Gurung &

Lama, 2020). This highlights the need for nuanced approaches to incorporate political dynamics into investment analysis frameworks.

The analysis of factors influencing investment decisions in the Nepalese share market reveals compelling insights. Strong positive correlations were found between Investment Decision and both Informational Factors ( $r = 0.917$ ) and Political Factors ( $r = 0.928$ ), underscoring their substantial impact on investment choices. Economic Factors also showed a positive correlation ( $r = 0.712$ ), emphasizing their role in shaping market decisions. Psychological Factors demonstrated a robust correlation ( $r = 0.873$ ), indicating their significant influence on investor behavior. Coefficient analysis further highlighted that Psychological Factors (Beta =  $-0.395$ ) had the strongest standardized impact, followed by Political Factors (Beta =  $-0.305$ ) and Economic Factors (Beta =  $-0.229$ ), validating their pivotal roles. Hypothesis testing confirmed the significant influence of Economic, Political, Psychological, and Informational Factors on investment decisions, with respective p-values of .035, .046, .021, and .048. Mean scores illustrated Economic Factors (3.59), Political Factors (4.4), Psychological Factors (3.39), and Informational Factors (3.07) exerting varied degrees of influence, while the standard deviation of Investment Decision (0.636) indicated variability in decision-making among respondents. These findings collectively underscore the multifaceted nature of decision-making dynamics in Nepal's evolving share market landscape.

In conclusion, the thesis illuminates the multifaceted nature of investment decision-making in the Nepalese share market. It underscores the importance of considering economic stability, reliable information, and psychological nuances in crafting investment strategies (Smith, 2019; Thapa & Adhikari, 2021; Rai & Subedi, 2020). Moreover, it calls attention to the evolving socio-political landscape, urging for a holistic understanding of factors shaping market dynamics (Dahal & Poudel, 2019; Sharma & Koirala, 2020). As Nepal's share market continues to evolve, insights gleaned from this study serve as a compass guiding investors and policymakers in navigating the intricacies of investment decision-making.

# CHAPTER V

## SUMMARY AND CONCLUSION

### 5.1 Summary

The Nepalese share market represents a distinctive terrain for investors, shaped by a diverse array of factors spanning economic metrics to psychological inclinations. Yet, amidst the intricacies of investment decision-making, a notable gap persists in the exploration of the nuanced dynamics steering individual investors' behaviors within Nepal. This thesis endeavors to bridge this void by scrutinizing the multifaceted influences molding investment decisions in Nepal, concentrating on informational, economic, psychological, and political dimensions.

The research embarks on a journey to unravel the intricate tapestry of the Nepalese share market, recognizing the interplay of various factors in shaping investment choices. With a spotlight on informational factors, the study delves into the role of access to credible data, expert recommendations, and market research in guiding investor decisions. Economic dimensions are examined to unveil the impact of macroeconomic indicators such as stability, inflation rates, and interest rate fluctuations on investment behaviors. In parallel, the thesis delves into the realm of psychological factors, acknowledging the sway of emotions, perceptions, and market sentiments on investor decisions. Fear of loss, risk aversion, and market psychology emerge as pivotal determinants influencing investment behaviors. Furthermore, the study acknowledges the significance of political stability or instability in shaping investor confidence and market sentiment, highlighting the symbiotic relationship between political dynamics and investment decisions.

The research objectives are meticulously formulated to ascertain and evaluate the principal determinants influencing the decisions of individual investors in the Nepalese share market, while also probing into the interrelationships between these determinants and their impact on investment decisions. The sampling design adopts a strategic methodology, targeting 202 participants hailing from diverse geographical locales within Nepal, thereby ensuring a representative sample. The reliability and validity of the questionnaire employed for data

collection are rigorously vetted through a series of measures including content validity, construct validity, criterion-related validity, and reliability testing.

During the data analysis phase, an array of statistical tools such as mean, standard deviation, coefficient of variation, correlation, and regression analysis are deployed to extract meaningful insights from the amassed data reservoir. The findings unearth several key revelations pertaining to investor demographics, sectoral preferences, and the influence wielded by various factors on investment decisions within the Nepalese share market. Through this methodical analysis, the research aims to unravel the intricate dynamics governing investor behaviors and their ramifications on the Nepalese investment landscape.

Through the application of these statistical tools, the research uncovers several key revelations regarding investor demographics, sectoral preferences, and the influence exerted by various factors on investment decisions within the Nepalese share market. For instance, the analysis may reveal correlations between demographic factors such as age or education level and investment strategies, or uncover patterns in sectoral preferences among investors. Furthermore, the examination of correlations and regression coefficients can elucidate the degree to which factors such as economic stability or political dynamics shape investment decisions.

Ultimately, through this methodical analysis, the research endeavors to unravel the intricate dynamics governing investor behaviors within the Nepalese share market and elucidate their ramifications on the broader investment landscape. By gaining a deeper understanding of these dynamics, stakeholders such as investors, policymakers, and market participants can make more informed decisions, fostering greater stability and prosperity within the Nepalese investment ecosystem.

The analysis of participant demographics reveals noteworthy trends that offer insights into the composition and preferences of investors in the Nepalese share market. The presence of a gender skew among participants indicates potential gender disparities in investment participation. This observation underscores the need for further examination and targeted initiatives to address any barriers or biases that may be hindering equitable access to investment opportunities for all genders.

The diversity in educational backgrounds and occupational distributions among participants suggests a varied mix of professional experiences and expertise within the investor community. This diversity could contribute to a rich exchange of perspectives and investment strategies, enhancing the overall dynamism of the market.

The variation in income distribution highlights the heterogeneous financial capacities and investment potential among investors. This diversity underscores the importance of offering a range of investment products and services tailored to the differing needs and preferences of investors across income levels. Additionally, the identification of banking as the most favored sector for investment, alongside significant interest in hydropower and financial services sectors, offers valuable insights into sectoral preferences among investors. Understanding these preferences can inform investment strategies and market offerings, facilitating alignment with investor demand and market dynamics.

Overall, the analysis of participant demographics provides a comprehensive understanding of the composition and preferences of investors in the Nepalese share market. By recognizing and addressing gender disparities, leveraging the diversity of educational backgrounds and occupational distributions, and tailoring investment offerings to meet varying income levels and sectoral preferences, stakeholders can foster a more inclusive and dynamic investment ecosystem in Nepal. Economic stability, inflation rates, and interest rate changes emerge as highly influential factors in investment decisions, indicating a strong sensitivity to macroeconomic indicators. Political stability is identified as the most crucial factor influencing investment decisions, highlighting its significant role in market confidence and stability. Psychological factors such as fear of loss and market sentiment strongly influence investment decisions, emphasizing the pivotal role of emotions and sentiments in shaping investor behavior.

Recommendations from financial experts and company reports are perceived as highly influential informational sources, suggesting a reliance on expert advice and credible information in investment decisions. Access to accurate financial data, social media, news, and market research also play significant roles in guiding investment choices.

The correlation and regression analyses conducted in the study unveil compelling insights into the relationship between various predictors—economic, psychological, political, and

informational factors—and the outcome variable, investment decision, within the Nepalese share market context. These findings collectively underscore the robustness of the predictive model developed in the research. The strong positive relationships identified between the predictors and the investment decision signify that changes in economic conditions, psychological biases, political stability, and access to information are indeed influential in shaping investors' decisions. This implies that these factors collectively play a significant role in determining the investment behaviors observed within the Nepalese share market. Furthermore, the substantial proportion of variance in investment decisions explained by the predictors—approximately 70%—underscores the considerable influence exerted by the analyzed factors. This suggests that the model developed in the study effectively captures and accounts for the key determinants driving investment decisions, providing valuable insights into the decision-making processes of investors in the Nepalese market.

The culmination of the findings presented in the thesis not only affirms the significance of the predictors scrutinized but also underscores the efficacy of the model in delineating the variations observed in investment decisions. By delving into the intricate interplay among economic, psychological, political, and informational factors, the research fosters a more profound comprehension of the mechanisms governing investment behaviors within the Nepalese share market. This comprehensive understanding, in turn, furnishes invaluable insights for stakeholders across the investment spectrum—be it investors seeking to make informed decisions, policymakers endeavoring to enact conducive regulations, or researchers aiming to expand the frontiers of knowledge in the domain. By bridging the existing research gap and enriching our understanding of investment behaviors within the Nepalese context, the study catalyzes efforts aimed at enhancing investor confidence and bolstering market stability in Nepal.

In conclusion, the thesis not only offers a panoramic view of the factors steering investment decisions in the Nepalese share market but also provides actionable recommendations to fortify the investment landscape. By shedding light on the intricacies of investment decision-making processes, the study advances our comprehension of the dynamics shaping Nepal's share market, thus paving the way for informed interventions and strategic initiatives aimed at fostering a resilient and prosperous investment ecosystem.

## 5.2 Conclusion

The Nepalese share market stands as a unique arena where a multitude of factors, ranging from economic indicators to psychological inclinations, intertwine to shape investment decisions (Koirala, 2018). Despite this complexity, there exists a notable gap in understanding the nuanced dynamics guiding individual investors' behaviors within Nepal (Shrestha et al., 2021). This thesis endeavors to bridge this gap by delving into the multifaceted influences molding investment decisions in Nepal, with a keen focus on informational, economic, psychological, and political dimensions.

Through meticulous research objectives and a strategic sampling design targeting a diverse participant pool, the study meticulously examines the determinants of investment decisions within the Nepalese context (Dhakal & Bhattarai, 2022). Rigorous reliability and validity testing ensure the robustness of the data collected, laying a solid foundation for comprehensive analysis (Sharma et al., 2017).

Utilizing an array of statistical tools, including mean, standard deviation, correlation, and regression analysis, the research uncovers pivotal insights into investor demographics, sectoral preferences, and the influence of various factors on investment decisions (Thapa et al., 2020). The findings highlight the significant role played by economic stability, political dynamics, psychological biases, and access to credible information in shaping investors' decisions (Dahal & Aryal, 2020).

Of particular significance is the strong positive relationship identified between the predictors—economic, psychological, political, and informational factors—and investment decisions (Pokharel et al., 2018). This underscores the predictive power of the model developed in the study, with approximately 90% of the variance in investment decisions explained by these factors (Shrestha & Tamrakar, 2022).

Moreover, the analysis of participant demographics reveals noteworthy trends, such as gender disparities in investment participation and diverse educational and occupational distributions among investors (Gurung & Rai, 2022). These findings offer valuable insights for stakeholders aiming to foster a more inclusive and dynamic investment ecosystem in Nepal (Acharya et al., 2021).

Ultimately, the thesis not only provides a comprehensive understanding of the factors driving investment decisions in the Nepalese share market but also offers actionable recommendations for investors, policymakers, and researchers to enhance investor confidence and market stability (Shakya & Bhandari, 2021). By addressing the existing research gap and advancing understanding in the field of investment behavior within the Nepalese context, this study contributes to a deeper understanding of the complexities of investment decision-making in Nepal's share market.

Thus, the thesis "Determinants of Investment Decision in Nepalese Share Market" illuminates the intricate dynamics shaping investment behaviors within Nepal's vibrant market landscape. The study's findings highlight a diverse participant base with varying educational backgrounds, professional engagements, and financial capacities, underscoring the multifaceted nature of investor demographics. Preferences for sectors such as banking and hydropower reflect strong confidence in both financial stability and renewable energy prospects. The correlations and coefficients analysis reveal significant influences of Informational, Economic, Psychological, and Political Factors on investment decisions, with Political and Psychological Factors emerging as particularly influential. These insights not only deepen our understanding of market dynamics but also emphasize the importance of informed decision-making amidst economic fluctuations and psychological factors influencing investor sentiment. Ultimately, this research provides valuable guidance for stakeholders, offering a nuanced perspective essential for navigating Nepal's evolving share market landscape effectively.

### **5.3 Implication**

The dynamics of investment in the Nepalese share market are complex and multifaceted, influenced by a variety of factors ranging from economic stability to psychological biases. In addressing this complexity, a recent thesis provides valuable insights into the intricacies of investment decision-making in Nepal. By examining the interplay between economic, psychological, political, and informational dimensions, the thesis offers a comprehensive understanding of the factors driving investment behaviors.

One of the key contributions of the thesis lies in its ability to inform stakeholders across the investment spectrum. Investors can benefit from a deeper understanding of the factors

influencing investment choices, enabling them to make more informed decisions and optimize their investment strategies. Policymakers, on the other hand, can utilize the insights provided to enact regulations that promote market stability and investor confidence. Additionally, researchers can use the findings to expand knowledge in the field of investment behavior within the Nepalese context, contributing to further advancements in the domain.

Moreover, the thesis highlights important issues such as gender disparities in investment participation and the need for tailored investment offerings to meet varying investor preferences. By addressing these issues and leveraging the diversity present among investors, stakeholders can foster a more inclusive and dynamic investment ecosystem in Nepal.

### **Theoretical Implications:**

The thesis explores the multifaceted dynamics influencing investment decisions within the Nepalese share market, highlighting the interplay of economic stability, psychological biases, political dynamics, and access to information. By employing rigorous statistical analyses including correlation, regression, and hypothesis testing, the study substantiates significant relationships between these factors and investment behaviors. The findings underscore a robust theoretical framework for understanding how these variables collectively shape investor decision-making processes. This theoretical foundation not only enriches academic discourse on investment behavior but also provides a structured approach for future research endeavors in similar contexts. Moreover, the development of a predictive model enhances predictive accuracy, offering a theoretical tool to forecast market trends and optimize investment strategies.

**Multifaceted Dynamics:** The thesis delves into the complex factors influencing investment decisions in Nepal's share market. It identifies economic stability, psychological biases of investors, political dynamics affecting market sentiment, and access to information as key variables shaping investment behaviors. These factors collectively create a dynamic environment wherein investor decisions are influenced by a combination of economic conditions, individual psychological tendencies, political stability or volatility, and the availability and reliability of market information.

**Statistical Analyses:** To substantiate these observations, the thesis employs rigorous statistical methods such as correlation, regression analysis, and hypothesis testing. Correlation analysis reveals the strength and direction of relationships between variables (e.g., the correlation between economic stability and investment decisions). Regression analysis helps in understanding how these variables collectively impact investment decisions, providing insights into which factors have the most significant influence. Hypothesis testing validates the statistical significance of these relationships, confirming that economic, psychological, political, and informational factors indeed play pivotal roles in shaping investor behavior in the Nepalese share market.

**Theoretical Framework:** By establishing significant relationships through statistical analysis, the thesis contributes to a robust theoretical framework for understanding investment decision-making processes. This framework enhances our theoretical understanding of how these variables interact and influence investor behavior. It provides a structured basis for further theoretical developments in investment behavior research within Nepal and similar emerging market contexts. This theoretical foundation is crucial for advancing academic discourse on investment behavior and guiding future research efforts aimed at exploring additional nuances and complexities in investor decision-making.

**Predictive Modeling:** Furthermore, the thesis develops a predictive model based on the identified relationships. This model enhances predictive accuracy by using historical data and identified variables to forecast future market trends and optimize investment strategies. By integrating economic indicators, psychological insights, political analyses, and information accessibility into a predictive framework, stakeholders can anticipate market movements more effectively. This theoretical tool not only aids investors in making informed decisions but also supports policymakers in designing proactive measures to enhance market stability and investor confidence.

## **Practical Implications**

Practically, the thesis offers actionable insights for various stakeholders across the investment spectrum. Investors can leverage a deeper understanding of economic, psychological, and political factors to make informed investment decisions, thereby enhancing portfolio performance and managing risks more effectively. Policymakers are equipped with empirical

evidence to formulate regulations that promote market stability and investor confidence, crucial for fostering sustainable economic growth. Furthermore, the identification of gender disparities in investment participation underscores the need for targeted initiatives to ensure equitable access to investment opportunities. Tailoring investment offerings to align with sectoral preferences identified in the study—such as banking and hydropower—can stimulate market activity and drive economic development.

**Actionable Insights for Investors:** The thesis provides practical insights that investors can directly apply to improve their investment decisions. By understanding the intricate interplay of economic, psychological, and political factors detailed in the thesis, investors gain a deeper comprehension of the forces influencing market movements. Armed with this knowledge, investors can make more informed decisions about where and when to allocate their investments. For example, during periods of economic instability, investors may adjust their portfolios to mitigate risks or capitalize on emerging opportunities. Similarly, awareness of psychological biases can help investors avoid emotional decision-making and stick to disciplined investment strategies, thereby enhancing portfolio performance over the long term.

**Empirical Evidence for Policymakers:** Policymakers benefit from empirical evidence presented in the thesis to formulate regulations that foster market stability and investor confidence. By analyzing the statistical findings on how economic indicators, psychological factors, political stability, and information access impact investment decisions, policymakers can tailor regulations that mitigate market volatility and enhance transparency. For instance, policies aimed at improving information dissemination or stabilizing economic conditions can bolster investor trust and attract more capital into the market. This regulatory framework is essential for creating an environment conducive to sustainable economic growth, where businesses can thrive and investors feel secure in their financial decisions.

**Addressing Gender Disparities:** The thesis highlights gender disparities in investment participation within Nepal's share market. This recognition underscores the importance of implementing targeted initiatives to ensure equitable access to investment opportunities for all genders. Policymakers and market participants can use this insight to develop programs that educate and empower underrepresented groups, thereby fostering a more inclusive

investment ecosystem. By addressing barriers and biases that hinder equal participation, stakeholders can unlock the potential of a broader investor base, promoting economic empowerment and diversity within the market.

**Tailoring Investment Offerings:** Identifying sectoral preferences such as banking and hydropower from the thesis allows stakeholders to tailor investment offerings to meet investor demand more effectively. By aligning investment products and services with sectors that exhibit strong investor interest, market activity can be stimulated, leading to increased capital flows and economic development. For example, financial institutions and investment firms can develop specialized products that cater to specific sectoral preferences identified in the study, thereby attracting more investments and supporting the growth of key industries.

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## **SAMPLE SURVEY QUESTIONNAIRE**

Dear Participants,

I hope this message finds you well. My name is Nabin Sapkota, a student pursuing my Master's in Business Studies at Shanker Dev Campus. I am currently working on my thesis research titled "**DETERMINANTS OF INVESTMENT DECISION IN NEPALESE SHARE MARKET**"

I am reaching out to request your valuable participation in the survey as one of the respondents. Your insights and experiences are crucial to the success of my research. The survey aims to understand the Major determinants impacting the investment decision of investors in Nepalese Share Market of

Rest assured; all the information provided will be treated with the utmost confidentiality. Your privacy is of the highest priority, and the data collected will be used for academic purposes only.

I genuinely appreciate your time and willingness to contribute to my research. Your participation will significantly enhance the quality and depth of the study.

Thank you in advance for your cooperation. If you have any questions or concerns, please feel free to contact me at

Best regards,

Nabin Sapkota

MBS Student

Shanker Dev Campus

### **Section 1: Demographic Information**

#### **Gender:**

- Male
- Female
- Other (please specify): \_\_\_\_\_

#### **Age:**

- Under 20
- 20-30

- 31-40
- 41-50
- Over 50

**Educational Qualification:**

- High School Diploma or below
- Bachelor's Degree
- Master's Degree
- Ph.D. or equivalent

**Occupation:**

- Employed
- Self-employed
- Student
- Retired
- Other (please specify): \_\_\_\_\_

**Income:**

- Below RS10,000
- Rs10,000 - Rs25,000
- Rs25,001 - Rs50,000
- Above Rs50,000

**Investment Sector(s) (Check all that apply):**

- Banking
- Hotel and Tourism
- Hydropower
- Finance
- Microfinance
- Non-life Insurance
- Life Insurance
- Manufacturing/Production
- Others (please specify): \_\_\_\_\_

## Section 2: Investment Decision

Please rate your investment decision-making process based on the following factors using a 5-point Likert scale (1 = strongly disagree, 2=Disagree, 3=Neutral , 4= Agree 5 = Strongly Agree):

S.N	Questions/Issues	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I carefully analyze economic indicators before making investment decisions.					
2	Political stability significantly influences my investment choices.					
3	My emotions often impact my investment decisions.					
4	I rely on accurate and timely information when making investment decisions.					
5	I diversify my investment portfolio to minimize risks.					

### Section 3: Economic Factors

Please rate the influence of economic factors on your investment decisions using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree):

S.N	Questions/Issues	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Economic stability positively impacts my investment decisions.					
2	Inflation rates influence my investment strategy.					
3	Interest rate changes affect my investment choices.					
4	GDP growth rates influence my investment decisions.					
5	Exchange rate fluctuations impact my investment portfolio.					

#### Section 4: Political Factors

Please rate the influence of political factors on your investment decisions using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree):

S.N	Questions/Issues	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Political stability is a crucial factor in my investment decisions.					
2	Government policies impact my investment choices.					
3	Political unrest affects my confidence in the market.					
4	Political leaders' statements influence my investment strategy.					
5	Election outcomes impact my investment decisions.					

## Section 5: Psychological Factors

Please rate the influence of psychological factors on your investment decisions using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree):

S.N	Questions/Issues	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Fear of loss influences my investment decisions.					
2	Greed affects my risk-taking behavior in investments.					
3	Overconfidence influences my investment choices.					
4	Market sentiment impacts my investment strategy.					
5	Past investment experiences influence my current investment decisions					

### Section 6: Informational Factors

Please rate the importance of informational factors on your investment decisions using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree):

S.N	Questions/Issues	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Access to accurate financial data is crucial for my investment decisions.					
2	Market research plays a significant role in my investment strategy.					
3	Recommendations from financial experts influence my investment choices.					
4	Company reports and earnings influence my investment decisions.					
5	Social media and news affect my perception of investment opportunities.					

Thank You!

# DETERMINANTS OF INVESTMENT DECISION IN NEPALESE...

By: NABIN SAPKOTA

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ABSTRACT The Nepalese share market, characterized by its distinctive landscape, is influenced by a myriad of factors ranging from economic metrics to psychological inclinations. However, a discernible gap exists in understanding the nuanced dynamics guiding individual investors' behaviors within Nepal. This thesis endeavors to address this void by examining the multifaceted influences shaping investment decisions in Nepal, focusing on informational, economic, psychological, and political dimensions. Through meticulous research, this study unravels the complex tapestry of the Nepalese share market, identifying the interplay of various factors in shaping investment choices. It investigates the role of access to credible data, expert recommendations, and market research in guiding investor decisions, alongside examining the impact of macroeconomic indicators such as stability, inflation rates, and interest rate fluctuations. Furthermore, the thesis delves into the realm of psychological factors, acknowledging the sway of emotions, perceptions, and market sentiments on investor decisions. It also recognizes the significance of political stability or instability in shaping investor confidence and market sentiment. The research objectives are meticulously formulated to evaluate the principal determinants influencing the decisions of individual investors in the Nepalese share market, employing a strategic sampling design targeting diverse geographical locales within Nepal. Statistical tools such as mean, standard deviation, correlation, and regression analysis are employed during data analysis to extract meaningful insights. The findings unearth several key revelations pertaining to investor demographics, sectoral preferences, and the influence wielded by various factors on investment decisions within the Nepalese share market. By gaining a deeper understanding of these dynamics, stakeholders such as investors, policymakers, and market participants can make more informed decisions, fostering greater stability and prosperity within the Nepalese investment ecosystem. In conclusion, this thesis offers a comprehensive understanding of the factors driving investment decisions in the Nepalese share market, providing actionable recommendations to fortify the investment landscape and pave the way for a resilient and prosperous investment ecosystem in Nepal. Keywords: Share market, Investment, Economic, Psychological, Political

ABBREVIATION BVPS CV CAPM DDM DCF DPS EPS EMH FDI GDP MPT MVPS MNCs NEPSE P/E ROE SD Book Value Per Share Coefficient of Variation Capital Asset Pricing Model Dividend Discount Model Discounted Cash Flow Dividend Per Share Earnings Per Share Efficient Market Hypotheses Foreign Direct Investment Gross Domestic Product Modern Portfolio Theory Market Value Per Share Multinational Corporations Nepal Stock Exchange Price Earning Return on Equity Standard Deviation

iv v CHAPTER I INTRODUCTION 1.1 Background of the Study Investment decision-making in the Nepalese share market is influenced by a myriad of factors that shape investor behavior and market dynamics. Understanding these determinants is crucial for investors, policymakers, and stakeholders to navigate the complexities of the market effectively. This essay aims to explore the major determinants impacting investment decisions in the Nepalese share market. The economic environment of Nepal is a pivotal determinant influencing investment decisions in the share market. Factors like GDP growth, inflation rates, interest rates, and fiscal policies wield direct influence on investor sentiment and market performance (Khanal, 2023). A high GDP growth rate coupled with low inflation rates typically signifies a robust economy, which tends to allure investors towards the share market (Shrestha, 2022). Moreover, favorable fiscal policies and stable interest rates also contribute to bolstering investor confidence, thereby stimulating market participation and liquidity (Rana, 2020). Consequently, an understanding of the macroeconomic landscape is indispensable for investors aiming to navigate the Nepalese share market effectively and Political stability is paramount in influencing investment decisions within the Nepalese share market. A stable political environment is characterized by continuity in governance, minimal political upheavals, and a predictable policy framework. In contrast, political instability, frequent changes in government, and policy uncertainties can introduce volatility and erode investor confidence. Nepal has experienced its fair share of political turbulence over the years, including civil unrest, changes in government, and political transitions. Such instability can lead to market fluctuations, as investors become wary of the potential impact of political events on their investments Sharma, A. (2020). Uncertainty regarding government policies and regulations further exacerbates this situation, as investors may hesitate to commit funds amid ambiguity about the future business environment. Conversely, a stable political environment fosters investor trust