MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master of Business Studies (M.B.S.)

By:

Sarmila Giri

Shanker Dev Campus

T.U. Regd. No: 7-2-274-80-2013

Class Roll No: 3386/076

Exam Roll No.: 24053/20

Kathmandu, Nepal

September, 2024

CERTIFICATE OF AUTHORSHIP

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

.....

Sarmila Giri

Shanker Dev Campus

REPORT OF RESEARCH COMMITTEE

This is to certify that the thesis entitled **MARKET INEFFICIENCIES AND INVESTMENT DECISION IN NEPALESE STOCK MARKET** submitted by Sarmila Giri to the Faculty of Management, Tribhuvan University in partial fulfillment for the award of the degree of MBS is a original research work carried out by him under my supervision. As far mu knowledge, the contents of this in full or in parts have not been submitted to any other institutions or university for the award of any degree or for any commercial purpose.

……

Dr. Pitri Raj Adhikari

Dissertation Supervisor

Dissertation Proposal Defended Date:

…….

Dissertation Submitted Date:

…….

……

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Research Head

Dissertation Viva Voce Date:

…….

APPROVAL SHEET

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

…….
Dr. Pitri Raj Adhikari
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

ACKNOWLEDGEMENTS

I would like to forward my deepest gratitude of Shanker Dev Campus who supports me with their invaluable scholarly supervision, Dr. Pitri Raj Adhikari, constructive comments and suggestions that allow me to furnish this thesis report in this final format.

I would like to pay my sincere thanks to Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of Research Department: and Asso. Prof. Dr. Krishna Prasad Acharya, Campus chief of Shanker Dev Campus. Besides, I would also like to thank to other respected teachers of Shanker Dev Campus and all the staff of this campus for their help in providing me various kinds of suggestions, information and comments.

Further, my deep regard to known and unknown individual who helped to collect the data at preliminary stage of this report writing. It is the matter of my immense pleasure to express my deep sense of gratitude and heartfelt respect to my parents for their affection, inspiration and incredible support to precede my academic career.

Sarmila Giri

August, 2024

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

ABBREVIATIONS

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

ABSTRACT

Investors seek to grow their wealth by choosing investment avenues that promise optimal returns while minimizing risk. Traditionally, bank fixed deposits were a popular choice; however, the low interest rates currently offered, which often fall below the inflation rate, have led many to seek alternative investment options. Consequently, people are increasingly turning to sectors like industry, trading, services, and banking for better returns. Investments in these sectors can take various forms, including creditor positions, equity stakes, and stock holdings. Investment fundamentally involves sacrificing current consumption for future gains, with the aim of enhancing future wealth. Both the potential returns and risks associated with stock investments are uncertain, as investors must navigate an unpredictable environment. While shares can be riskier compared to fixed-income securities like treasury bills or savings certificates, many investors are drawn to stocks with the hope that their prices will rise over time. To gauge a stock's intrinsic or theoretical value, one can analyze publicly available financial information. However, many investors overlook this crucial step before committing to a stock, potentially missing out on critical insights that could inform their investment decisions.

Key Words: *Investment decision, market inefficiency, quality management, company goodwill, company performance, company sectors, market information*

CHAPTER-I
INTRODUCTION

1.1 Background of the study

Investors allocate their funds and savings across various sectors with the goal of maximizing their wealth while managing risk. The underlying principle for investors is to achieve the highest possible returns with minimal risk exposure. Traditionally, bank fixed deposits have been a common choice due to their perceived safety. However, with current interest rates often falling below the inflation rate, resulting in negative real interest rates (Albagli et al., 2023), many investors find these returns unsatisfactory. As a result, there has been a notable shift towards investing in more dynamic and potentially lucrative sectors such as industry, trading, services, and banking. This shift reflects a broader trend where individuals seek investment opportunities that promise higher returns. Investments can take various forms, including debt securities, equity stakes, and stock holdings, each offering different risk and return profiles.

At its core, investment involves deferring current consumption with the objective of enhancing future wealth. Investors commit their resources today, anticipating that their investment will grow and provide substantial returns in the future. This process involves a calculated sacrifice of immediate benefits to secure greater financial gains later (Jains & Lakshmi, 2023). The decision-making process for investors, therefore, encompasses evaluating both potential risks and rewards to achieve their long-term financial goals.

Deciding to invest is a critical decision due to the inherent uncertainty surrounding future wealth. This decision involves balancing two key factors: time and risk. Investment choices vary based on their risk-return profiles, which must align with an individual investor's expectations and goals. Returns on stock investments can be broken down into two main components: dividends and capital gains. Both components are uncertain, as they are influenced by a range of factors including market conditions and company performance. Compared to other fixed-income securities like treasury bills or savings certificates, shares carry a higher level of risk (Albagli et al., 2023).

Despite this risk, many investors are drawn to stocks with the hope that their value will increase over time. To determine a stock's intrinsic or theoretical value, investors often analyze publicly available financial information and use various valuation models. However, it's common for investors to overlook this crucial analysis before purchasing shares in a company. The actual market price of a stock should ideally reflect its theoretical value, which is derived from these valuation models and financial assessments (Ahmad & Wu, 2022). Ultimately, while investing in stocks presents a higher risk compared to fixed-income options, the potential for substantial returns drives many investors to seek out opportunities in the stock market. This involves evaluating and predicting future stock prices, which requires careful analysis and consideration of financial data.

Assessing the intrinsic value of a stock and comparing it to its current market price is a practice that is not commonly followed in reality. This is particularly true in the context of Nepal, where investing has become increasingly risky over the past decade due to significant economic volatility, inflation, government instability, and, notably, the impact of Maoist insurgency and political unrest. The Nepalese stock market has experienced considerable fluctuations, leading investors to approach stock market investments with caution. As a result, many investors in Nepal are hesitant to invest in stocks and are instead looking towards safer alternatives such as gold, savings deposits, or opting to spend their funds on current consumption. Given this context, the study aims to offer insights into how investors can make more informed and rational investment decisions using the principles of the Capital Asset Pricing Model (CAPM) (Dangol, 2017).

Investment alternatives refer to the various options available for channeling money in a profitable manner. Investors can choose from a range of options including real estate, gold and silver, bank deposits, shares and securities, mutual funds, insurance, government bonds, and provident funds. With numerous alternatives available in today's financial system, making an informed decision can be challenging. Some options offer high returns but come with significant risks, while others provide lower returns with minimal risk. This study will explore investor preferences regarding these different investment alternatives. To gather relevant data, questionnaires will be used to collect primary

information, which will then be analyzed using percentage analysis, chi-square tests, and logistic regression (Dangol, 2012).

Investment encompasses the allocation of funds towards capital goods such as factories, equipment, livestock, and machinery, all of which are essential for producing other goods or services. These capital goods are integral to enhancing productivity and economic growth. A key distinction exists between saving and investing. Saving refers to the portion of income that is not spent on current consumption, essentially setting aside money for future use. In contrast, investment involves deploying funds into assets that are expected to increase national output over time. Investments can be classified into real and financial categories. Real investments involve tangible assets like land, machinery, or buildings, while financial investments pertain to securities such as stocks and bonds (Paneru, 2023).

Investment plays a crucial role in the economic development of any nation. It involves using current resources to achieve long-term benefits, essentially sacrificing immediate consumption for future gains. This process typically involves two main factors: time and risk. The initial investment is made with certainty in the present, but the returns are uncertain and realized over time. For instance, investing in government bonds primarily emphasizes time, as these are generally low-risk and stable. Conversely, investing in common stocks involves both time and risk, as stock prices fluctuate based on market conditions and company performance (Lam et al., 2024).

Investing in the stock market is instrumental in channeling funds into the economy, which supports overall economic development. Shares are first issued in the primary market through Initial Public Offerings (IPOs) and subsequently traded in the secondary market. Investors can buy and sell these shares at prevailing market prices on stock exchanges. Equity shares represent ownership in a company and are traded based on supply and demand dynamics, which influence their price movements (Shakya, 2021).

Investors typically engage in investment through either direct management of buying and selling securities or by utilizing the services of fund managers, such as brokers. The primary goal for most investors is to achieve capital appreciation and generate returns. Capital appreciation occurs when the sale price of shares exceeds their purchase price,

while returns are often received in the form of dividends. This study focuses on analyzing investors' attitudes towards equity market investments and their risk tolerance, with particular attention to how these factors vary based on gender, age, income, education, and occupation. Investors are categorized into conservative, moderate, and aggressive types based on their investment behaviors and risk profiles (Keown & Petty, 2009).

There are various investment alternatives available, ranging from traditional options like bank deposits and gold, which have been used for generations, to more recent options such as equities, mutual funds, commodities, and derivatives. This study specifically focuses on equity investments. Equity represents a share of a company's total capital, divided into smaller units known as equity shares. Companies are obligated to pay dividends to shareholders from their profits. Equity investors benefit from both dividends and potential capital appreciation. Additionally, equity shareholders have voting rights and are considered part owners of the company; with their ownership proportionate to the number of shares they hold (Yashaswini, 2019).

In today's competitive market, various investment opportunities exist, but many investors prefer equities due to their relative liquidity and the minimal time required for trading. This study aims to understand how investors' perceptions influence their investment decisions, particularly in the context of both the primary and secondary markets. By exploring these perceptions, the study seeks to provide insights into the factors driving investment choices and the rationale behind them (Acharya, 2022).

This study aims to evaluate how various factors influence investor decisions in both the Primary and Secondary markets of the Nepalese stock market. Key aspects under examination include quality management, company reputation, performance, sector dynamics, and market information. The research seeks to determine how these elements impact investors' choices and preferences when selecting specific stocks or securities (Mohammad & Salhy, 2023).

Additionally, the study will explore the effects of market inefficiencies on investment decisions within the Nepalese stock market. It will focus on understanding how perceived inefficiencies affect investor behavior and decision-making in both market segments. The goal is to provide a comprehensive view of how market inefficiencies influence investor

perceptions and decisions. To achieve these objectives, the study will assess how factors such as quality management, company reputation, and performance, sector, and market information shape investment decisions. By analyzing these dimensions, the research aims to offer insights into how investors perceive and react to different aspects of the market environment.

Overall, the study seeks to understand the relationship between various factors and investment choices, shedding light on how market inefficiencies and investor perceptions affect decision-making processes. This analysis will help clarify the implications of these factors on investor behavior and the functioning of the Nepalese stock market.

1.2 Problem statement

Investing can be both highly profitable and relatively low-risk or less profitable and fraught with high risk. When faced with multiple similar investment options, selecting the optimal one becomes particularly challenging. No investment is entirely risk-free; each carries its own level of risk. The central challenge is to identify the ideal balance between risks and return that maximizes shareholder wealth. One of the complexities of decision-making under uncertainty is determining the additional return needed to compensate for the accepted risk. Investment decisions are typically informed by past experiences and future expectations, though precise predictions are not always feasible. Therefore, a thorough analysis of historical market trends and future expectations forms the foundation of sound investment decisions (Mohammad & Salhy, 2023).

In Nepal, the stock market, represented by the Nepal Stock Exchange (NEPSE), is relatively new. It is characterized by low trading volumes, a lack of professional brokers, and limited information availability. The market is still in its nascent stage, with minimal movement in share prices. While there is considerable research on government-owned public enterprises, studies focusing on privately listed companies in NEPSE are limited. This study aims to offer insights into the application of the Capital Asset Pricing Model (CAPM) within the context of Nepal's stock market, addressing the need for more comprehensive research in this area (Acharya, 2022).

The capital market in Nepal is relatively underdeveloped compared to more advanced stock markets. It is characterized by a limited number of brokers, a small pool of listed

companies, infrequent transactions, and a general lack of investor awareness about the benefits and risks associated with the stock market. Any instance of misconduct in the securities market can have severe repercussions on the national economy, and regaining investor confidence, once lost, can be extremely challenging.

Nepal's initial public offering (IPO) stage faces several hurdles. Unlike in developed countries where the public is generally well-informed about IPOs, Nepalese investors often lack awareness and understanding. The significant economic disparity between the wealthy and the middle class highlights the potential for financial instruments to bridge this gap by generating passive income for smaller investors. This research aims to explore investor perceptions across various demographic factors to better understand these dynamics (Keown & Petty, 2009).

The Nepali capital market is still evolving and remains small in terms of participant numbers and capital volume. The market can quickly become saturated, and investor decisions are often swayed by unfounded rumors. The sentimentality of investors poses a risk, as a loss of confidence can have significant consequences. Enhancing investor awareness can help safeguard against market manipulation and improve decision-making. This study also focuses on assessing the level of investor awareness regarding IPOs in Nepal, as financial literacy plays a crucial role in shaping investment choices (AL-Tamimi & Kali, 2009).

Significant structural changes have taken place in Nepal's primary market. The traditional method of queuing for hours to apply for new issues has been replaced by an online application system. This shift has reduced the time required for allotment and listing of securities, thereby increasing market liquidity and lowering issuance costs. However, many retail investors remain speculative; they often invest without thorough research and quickly sell their stocks once they are listed on the Nepal Stock Exchange (NEPSE). These short-term investors seek rapid financial gains, which influences their investment behavior (Yashaswini, 2019).

Understanding how investors approach new offerings and determining the proportion of such speculative investors is crucial. This study focuses on evaluating individual stocks of listed companies on NEPSE. It selects specific listed companies to analyze their stocks

using the Capital Asset Pricing Model (CAPM). The research employs various statistical tools for stock analysis and includes primary research through questionnaires targeted at stock market investors to gain further insights (Lam et al., 2024).

In Nepal, the initial public offering (IPO) process faces numerous challenges. Unlike in developed countries where there is widespread awareness of public offerings, Nepalese investors encounter several issues during the IPO stage. This study aims to identify and address these problems within the investment decision-making process in the Nepali stock market.

i) What are the perceptions of investors regarding quality management, company goodwill, company performance, company sectors, market information, and market inefficiencies in relation to initial public offerings (IPOs) in Nepal?
ii) Is there a relationship between quality management, company goodwill, company performance, company sectors, market information, and market inefficiencies and the factors influencing investors' decisions in the primary and secondary markets?
iii) How do quality management, company goodwill, company performance, company sectors, market information, and market inefficiencies impact investors' perceptions and decision-making in both the primary and secondary markets?

1.3 Objectives of the study

The primary objective of this study is to examine market inefficiencies and their impact on investment decisions within the Nepalese stock market. Specifically, the study aims to achieve the following objectives:

i) To evaluate investor perceptions regarding the primary and secondary markets with respect to quality management, company reputation, company performance, industry sector, market information, and market inefficiencies.
ii) To analyze how quality management, company reputation, company performance, industry sector, and market information influence the reasons behind investment decisions in both the primary and secondary markets.
iii) To assess the impact of quality management, company reputation, company performance, industry sector, and market information on the factors driving investment decisions by investors.

1.4 Rationale of the study

This study aims to enhance understanding of the efficiency of the Nepalese stock market and identify various calendar anomalies affecting stock returns. The insights gained will be valuable for financial managers, analysts, investors, and researchers, providing them with knowledge on how to leverage seasonal anomalies for improved portfolio diversification.

Despite the growing awareness, many individuals in Nepal remain unfamiliar with public offerings. This research will offer valuable information for those seeking to understand the primary and secondary markets, benefiting general investors and organizations involved in public offerings. Additionally, it will assist issuing companies in gauging investor perceptions and preferences within the Nepalese market. By identifying key factors that influence investor perception and risk-return dynamics, the study will also support students and researchers interested in exploring the primary and secondary markets.

Investment decisions in the stock market are often influenced by investor psychology, particularly in sectors where stock prices fluctuate frequently. Behavioral finance, which studies the psychological factors impacting financial decision-making, is an emerging field in Nepal. This study will contribute significantly to the literature on behavioral finance in Nepal, an area that remains underexplored compared to international research. It will address the gap by providing a comprehensive analysis of investor perceptions and behaviors.

In the investment landscape, individuals have a variety of options available. Some choose to invest in tangible assets, while others might put their money into various ventures or even start their own businesses. These choices enable them to acquire substantial shares and potentially influence company management and stock market dynamics.

1.5 Limitations of the study

This study focuses on analyzing specific aspects of the primary share market in Nepal. It is subject to the following limitations:

i) This study relies on primary data.

ii) The analysis and evaluation are based on a limited dataset.

iii) The sample size of over 386 respondents used for collecting primary data may not fully represent the entire population.

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

CHAPTER-II
REVIEW OF LITERATURE

2.1 Introduction

This chapter reviews the existing literature and research pertinent to the current study, aiming to identify what has already been explored and to determine how this research contributes to the field. It involves a thorough examination of various books, journals, articles, and previous studies.

2.2 Theoretical review

Efficient Market Hypothesis

One of the most influential yet debated theories regarding stock market behavior and its implications for investment decision-making is the Efficient Market Hypothesis (EMH). This theory addresses the concept of market efficiency, which pertains to the market's ability to accurately and promptly price securities based on new information. In an efficient market, a security's price reflects all relevant information and provides an unbiased estimate of its true investment value. Market efficiency implies that as new information becomes available, it is swiftly analyzed by the market, leading to rapid price adjustments. Security prices are determined by fundamental factors such as earnings, interest rates, dividend policies, and the overall economic environment, and these factors are quickly incorporated into the security's price. Consequently, only new and unpredictable information will cause price changes. If information were predictable, stock prices would already have adjusted to it. Therefore, new information must be random, leading to random fluctuations in security prices. If price changes were not random and could be predicted, investors would consistently outperform the market, and market efficiency would be compromised (Cheney & Moses, 1992).

The Efficient Market Hypothesis (EMH) also posits that the prices of undervalued or overvalued stocks are not stable and will adjust over time. The equilibrium price of a security reflects the true value that investors assign to it. If markets were inefficient and prices did not adjust accordingly, some investors could exploit discrepancies in information and adjust their holdings to benefit from these differences. The level of

market efficiency has significant implications for both the economy and investment strategies. From an economic standpoint, it is crucial for security prices to accurately signal value to ensure proper allocation of capital resources. Mispriced securities could lead to inefficient capital allocation. While market efficiency is beneficial from an economic perspective, it poses a challenge for investors in determining an effective investment strategy.

The Concept of Stock Valuation

The concept of value is central to financial management. The value of any tradable asset is determined by what a buyer is willing to pay for it. In a well-functioning market, valuation becomes straightforward; if the market is efficient, the market price is generally considered a fair reflection of the asset's value. Financial managers use various analytical techniques to value common stock, considering that investors expect returns in the form of dividends and capital gains from rising stock prices. Valuation models must incorporate these expectations. Common models for determining a stock's intrinsic value include: Net Asset Value (NAV), the Dividend Discount Model (DDM), and the Price-Earnings (P/E) ratio (Alexander et al., 2003).

Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM) is a framework that links the required rate of return for a security to its risk, as measured by its beta coefficient. CAPM outlines the relationship between risk and the expected returns on risky assets, and it is a cornerstone of modern financial theory. This model was introduced by William F. Sharpe, who received the Nobel Prize in Economics in 1990 for his contributions.

The basic version of CAPM is based on several simplifying assumptions. The model assumes that investors are similar in all respects except for their initial wealth and risk tolerance. Key assumptions of CAPM include: investors focus on a single period of investment and aim to maximize the expected utility of their final wealth by evaluating portfolios based on expected returns and standard deviation. Additionally, investors can borrow or lend any amount at a risk-free rate of interest, and there are no restrictions on short sales. According to CAPM, the remaining risk after diversification is market risk,

which is quantified by how a stock's returns move in relation to the overall market (Brigham et al., 1999; Brigham et al., 2022).

2.3 Conceptual Review

Securities, whether in the money or capital markets, are initially introduced through the primary market. In this market, the issuing company or government directly benefits from the sale of securities. Once these securities are bought and sold among various investors, including individuals, businesses, governments, or financial institutions, they transition into the secondary market. Essentially, the primary market deals with "new" securities, whereas the secondary market handles "pre-owned" or previously issued securities. This study focuses specifically on Initial Public Offerings (IPOs) and examines the processes and activities involved in raising funds through the primary market. While the secondary market plays a crucial role in financial markets, its operations are beyond the scope of this study.

The literature review provides an overview of existing research and serves as a foundation for understanding the current study. It is a critical examination of previously conducted work, offering insights into the status of research in the field. A thorough review of relevant literature is essential for framing the study and grounding it in existing knowledge.

Investment, a term commonly encountered in financial contexts, encompasses a range of activities beyond large-scale deals. While high-level investments may involve substantial sums, individuals can also invest smaller amounts wisely. Investment options include traditional avenues like the stock market and emerging opportunities such as real estate.

Property investment, particularly in residential real estate, has gained popularity, especially in the UK. This type of investment often requires significant initial capital or substantial loans, and is generally considered a long-term commitment.

Broadly, investment involves sacrificing current resources to gain future benefits. This process inherently involves time and risk, with immediate sacrifices being certain while future returns are uncertain (Sharpe, Alexander, & Bailey, 2002).

Investment can be classified into real and financial assets. Real assets include tangible items such as buildings, vehicles, and machinery, which are used in production and are often less liquid and harder to measure in terms of returns. Financial assets, in contrast, are intangible and represent claims on real assets. These include stocks, bonds, and other securities, which can be traded directly in financial markets or indirectly through pooled investment funds. Financial assets generate returns through the income produced by the real assets they represent.

A market serves as a platform where goods and services are bought and sold, either directly or through intermediaries. An effective market provides accurate information on historical prices and volumes, as well as current supply and demand conditions. Financial markets, specifically, are venues where trading of various securities, such as equities, bonds, and debentures, occur. These markets bring together buyers and sellers to facilitate trading activities.

Financial markets play a crucial role in the economy by transferring funds from those with surplus resources to those in need of capital. They enhance economic efficiency by directing funds from individuals or entities without immediate productive use to those who can utilize them effectively. Financial markets are divided into the money market and the capital market. The money market deals with short-term debt instruments and marketable securities, while the capital market focuses on long-term securities such as bonds and stocks (Gitman, 2003).

Financial Market

A financial system encompasses a range of structures and mechanisms that facilitate the movement of funds from those with excess resources (surplus units) to those in need of capital (deficit units). The core components of a financial system include financial assets, financial markets, and financial institutions.

Financial markets are platforms where transactions involving financial assets take place, similar in concept to markets for goods and services but focused on instruments such as currency, deposits, cheques, bills, bonds, and debentures. These markets serve as intermediaries where individuals or entities with surplus funds can connect with businesses or projects requiring capital. Essentially, financial markets are designed to

efficiently allocate savings over time to parties that use funds for investment or consumption.

Financial intermediaries, such as commercial banks, life insurance companies, credit unions, and pension funds, play a crucial role by acting as intermediaries between savers and borrowers. They convert direct claims into indirect ones by purchasing primary securities and issuing their own securities to investors. This process helps facilitate the flow of savings to productive uses and is vital for capital formation and economic growth.

Financial markets are divided into two main categories: the money market and the capital market. The money market handles short-term debt instruments used for working capital, while the capital market deals with long-term securities like bonds and stocks.

These markets ensure that funds are systematically transferred to productive business ventures and projects. In essence, financial markets provide a structured environment for trading financial assets and credit instruments, thereby supporting economic activity and growth (Luckett, 1984; Gitman, 1988).

The Capital Market

The capital market is a financial sector where long-term funds are both borrowed and lent. This market serves as a platform for the exchange of capital between lenders and borrowers, facilitating the transfer of funds to meet long-term financial needs. The term "capital" in this context signifies a prolonged commitment from lenders and a sustained need for funds by borrowers.

In the capital market, participants engage in transactions involving long-term financial instruments such as common stocks, bonds, preferred stocks, and convertible securities. This market plays a crucial role in financial intermediation by enabling businesses and governments to raise capital. Businesses, especially public limited companies, require long-term capital to support their operations and expansion projects. Similarly, governments seek substantial funds to finance public services like education, healthcare, and defense. To meet these financial needs, both entities issue various securities.

The capital market includes institutions such as stock exchanges, investment trusts, and insurance companies, which are integral to mobilizing and allocating long-term funds. Investment institutions and unit trusts also play a significant role by raising capital from the public and, in some cases, from the government. They then invest these funds in long-term projects.

Securities traded in the capital market come with varying timeframes. Some are perpetual, while others have specific maturity periods. For example, debentures can be either redeemable or irredeemable, and the proceeds from life insurance policies may be paid out at maturity or upon death. The stock exchange, investment trusts, and insurance companies are key components of the capital market, contributing to its overall functionality and effectiveness.

In many developing countries, an unstructured capital market remains a common feature of the economy. Despite its challenges, this market plays a critical role in directing funds from savers to those who need them, given its substantial financial asset holdings. The capital market is typically divided into two main segments: the primary market and the secondary market. The primary market focuses on the issuance of new securities, while the secondary market deals with the trading of securities that have already been issued.

Primary Market

Securities are initially offered through the primary market, which serves as the venue for the first sale of securities by issuers to the public. This market can involve both newly established companies and those with long histories. The primary market is characterized by the issuance of new securities, and its activity level, particularly for common stock, is closely linked to market conditions. When market conditions are favorable, the volume of new issues tends to increase; conversely, it declines during unfavorable market conditions (Weston & Brigham, 1981).

Investment banking firms play a central role in the primary market. These institutions act as intermediaries, facilitating the acquisition of new funds by companies. In developed countries, companies often rely on investment bankers to help raise capital. Investment bankers specialize in marketing new securities and provide advisory services on security design. They frequently engage in underwriting, where they agree to purchase securities

from the issuing company and subsequently sell them to the public. Alternatively, companies may opt for private placements, selling securities directly to investors without the involvement of an investment banker. This approach can be more cost-effective, avoiding underwriting fees (Luckett, 1984).

Secondary Market

Securities that have been previously issued are traded in the secondary market, which handles the bulk of all capital market transactions. Unlike the primary market, where proceeds from sales go to the original issuer, transactions in the secondary market involve trading between investors. The proceeds from these sales go to the sellers of the securities, not to the original issuing entity. The primary function of the secondary market is to provide liquidity, allowing investors to sell securities they acquired in the primary market.

The secondary market is further categorized into two main segments: the over-the-counter (OTC) market and registered stock exchanges. The OTC market facilitates trading in securities not listed on formal exchanges, while registered stock exchanges, such as the New York Stock Exchange, provide a structured platform for buying and selling securities.

The Over-the-Counter Market

The over-the-counter (OTC) market refers to the trading of securities that are not listed on formal stock exchanges. Initially, when a company issues securities to the public, these securities often trade in the OTC market. This market encompasses all transactions in securities that occur outside of registered stock exchanges. In practice, the term "OTC market" is typically associated with the activities of dealers and brokers, which can vary significantly in size from large firms engaging in international trading to small, local operations.

The Stock Exchanges

Stock exchanges are organized groups of members dedicated to facilitating the buying and selling of securities for the public. These exchanges exclusively handle listed

securities, which are traded through an auction system. Members of these exchanges operate within a national market that is open to widespread participation (Luckett, 1984).

Stock exchanges play a crucial role in the capital market by providing a platform for the active trading of previously issued securities. They serve as a vital marketplace for corporate shares and other listed securities. Key benefits of stock exchanges include improved marketability of securities, efficient allocation of investment funds, and stimulation of economic growth and wealth creation. They also offer liquidity, marketability, and diversification for investments. The development of capital markets through stock exchanges has facilitated better information flow about various securities and established robust listing criteria that benefit investors.

Capital Market in Nepal

The development of Nepal's capital market began with the establishment of Biratnagar Jute Mill in 1936, followed by the creation of various other mills for rice, cotton, and sugar. In 1937, Tejarath was founded to provide loans to government employees, and the first industrial act was introduced, marking a step forward in promoting the capital market in Nepal. However, public participation in industry ownership was limited, with shares primarily held by the Rana families.

The overthrow of the Rana regime in 1950 led to the establishment of democracy in Nepal. During this transitional period, the interim government focused on reviving struggling industries, with little attention given to developing the capital market. Despite this, several institutions and industries were established. In 1960, the Panchayat system replaced democracy, and in 1964, Nepal began issuing government bonds, which continue to be a significant part of the securities market.

In 1974, following a comprehensive review of public limited companies, Nepal introduced an Industrial Policy that led to the creation of the Securities Marketing Centre. This institution, established through the joint efforts of Nepal Rastra Bank (NRB) and the Nepal Industrial Development Corporation (NIDC), aimed to mobilize capital for various industries and companies. In 1976, the Securities Marketing Centre was rebranded as the Securities Exchange Centre (SEC). The Securities Exchange Act, enacted on April 13,

1984, provided a structured regulatory environment for the market, transitioning from oversight under the Company Act.

The Securities Exchange Act aimed to ensure systematic and regulated securities market, protect investor interests, and increase public participation in companies. In subsequent years, financial reforms introduced by the interim government included the establishment of the Citizen's Investment Fund and NIDC Capital Markets Limited, further advancing capital market development.

In 1993, as Nepal shifted to a market-oriented economic system, significant changes were made to the structure of the Securities Exchange Centre. It was divided into two distinct entities: the Securities Exchange Board of Nepal (SEBO/N) and Nepal Stock Exchange Limited (NEPSE), reflecting the evolving economic landscape (Shrestha, 1992).

Constituents of Capital Market in Nepal

The capital market in Nepal is anchored by several pivotal institutions that facilitate and regulate its activities. Key among these is the Securities Exchange Board of Nepal (SEBON), which serves as the regulatory authority overseeing the securities market. SEBON ensures that trading practices are transparent, fair, and protective of investor interests. Alongside SEBON, the Nepal Stock Exchange Limited (NEPSE) operates as the primary trading platform for securities. NEPSE provides a marketplace where stocks, bonds, and other financial instruments are bought and sold, thereby supporting the liquidity and efficiency of the market. Together, these institutions are fundamental in maintaining the integrity and functionality of Nepal’s capital market.

Securities Exchange Board of Nepal

Nepal established the Securities Exchange Board of Nepal (SEBON) on May 26, 1993. SEBON's primary mission is to regulate the securities market to safeguard investor interests and promote its growth. Its objectives include maintaining a well-regulated and orderly market for both primary and secondary trading of securities and fostering market development. SEBON’s responsibilities encompass advising the government on capital market development and investor protection, approving and supervising stock exchanges to ensure healthy trading practices, registering and regulating market participants,

overseeing public offerings of securities including mutual and trust funds, and conducting research, training, and educational programs on regulatory and developmental aspects of the capital market.

The SEBON Governing Board consists of seven members from various sectors. This includes a full-time chairman appointed by the Government of Nepal for a four-year term, along with other members such as a joint secretary from the Ministry of Law, Justice & Parliamentary Affairs, a representative from the Nepal Rastra Bank (NRB), a member from the Institute of Chartered Accountants of Nepal, a representative from the Federation of Nepalese Chambers of Commerce and Industries, and an additional member appointed by the government with expertise in the market (Securities Exchange Board of Nepal, Annual Report, FY 2020/21).

Stock Exchange Limited

The Securities Marketing Centre, established in 1974, was primarily focused on managing government bonds. This institution was restructured in 1976 and renamed the Securities Exchange Centre (SEC), which then expanded its role to include the management of public issues by corporate entities. After eighteen years, the SEC transitioned into the Nepal Stock Exchange Ltd. (NEPSE) in 1993. As a non-profit organization, NEPSE operates under the Securities Exchange Act and aims to enhance the marketability and liquidity of government bonds and corporate securities. It facilitates transactions through its trading floor with the help of market intermediaries such as brokers and market makers. Prior to becoming a stock exchange, SEC was the primary capital market institution involved in brokering, underwriting, managing public issues, and market making for government bonds and other financial services (Nepal Stock Exchange Ltd., 1994). NEPSE officially opened its trading floor on January 13, 1994, for its newly appointed brokers and market makers.

2.4 Empirical review

Review of journal and articles

Laili et al. (2024) examined the Capital Asset Pricing Model (CAPM) to guide investment decisions in shares of PT Mustika Ratu and PT Multi Indocitra, both listed on

the IDX for the year 2022. The study emphasizes the importance of investors' ability to analyze and process information to make informed investment choices, which in turn affects their risk and return outcomes. The research aims to assess the levels of profit and risk associated with these shares and to differentiate between efficient and inefficient stocks using the CAPM. The study employs a qualitative approach supported by quantitative data, including recent stock prices, interest rates, and the Indonesian Sharia Stock Index. Data were obtained from the Indonesian Stock Exchange, Yahoo Finance, and Bank Indonesia.

Lam et al. (2024) evaluated the influence of behavioral finance factors on investment decisions in Australasian Real Estate Investment Trusts (REITs). The study integrates "behavioral finance" and "normative model" theories to assess the impact of behavioral biases compared to traditional decision-making factors. The goal was to identify key behavioral biases that could undermine rational asset acquisitions and market efficiency. Using a triangulation approach, the research involved qualitative case studies of four Australian and New Zealand REITs to pinpoint both normative and behavioral finance factors in investment decisions. This analysis was complemented by an expert review survey to gauge the significance of these behavioral factors relative to normative factors. The findings revealed that three out of four behavioral factors investor sentiment, anchoring, and overconfidence were as influential as normative factors in decision-making. Conversely, the heuristic availability of information did not significantly impact experienced REIT fund managers. The study, based on case studies and a survey of six fund managers, suggests that investor sentiment, in particular, is a crucial behavioral bias to avoid. This research highlights the importance of behavioral factors in property investment decisions within Australasian REITs and provides a broader perspective by including both Australia and New Zealand. It calls for increased awareness among fund managers to mitigate the impact of significant behavioral biases and improve market efficiency.

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

efficiency of Bitcoin and Ethereum and identifying the key drivers of this efficiency. The research employed daily data from August 7, 2016, to February 15, 2023, and utilized the adjusted market inefficiency magnitude (AMIMs) measure along with quintile regression techniques. The findings reveal significant time variation in market efficiency levels for both crypto currencies. The quintile regression analysis highlights that global financial stress generally reduces AMIMs across all levels of market efficiency. Additionally, crypto currency liquidity consistently improves AMIMs, regardless of market efficiency levels, while money flow has a notable positive impact on AMIMs when markets are efficient. The study also found that the COVID-19 pandemic significantly increased market inefficiencies across most quintiles.

Albagli et al. (2023) explored the impact of imperfect financial markets on investment inefficiencies, specifically focusing on how noisy information affects investment decisions. The study examines how market imperfections lead to endogenous rents, which can result in overinvestment in scenarios with potential upsides and underinvestment where downsides are prevalent. In a partial equilibrium setting, these inefficiencies become more pronounced when the potential for upside risks is coupled with the ease of scaling investments. In a general equilibrium context, the collective efforts of shareholders to enhance the value of individual firms create a unique externality. This externality, transmitted through prices, tends to exacerbate investment distortions related to downside risks while mitigating distortions associated with upside risks.

Almansour et al. (2023) investigated how behavioral finance factors influence investment decisions, emphasizing the role of risk perception as a mediating variable. While traditional finance theory posits that stock prices reflect all available information and thus markets are efficient, behavioral finance introduces the idea that psychological and emotional factors can affect stock prices. This study explores the effects of behavioral finance factors on investment decisions within the Saudi equity markets, using risk perception as a key intermediary. An online survey was distributed to 150 individual investors, with 134 responses suitable for analysis. Structural Equation Modeling (SEM) was employed to analyze the data. The findings reveal that factors such as herding behavior, the disposition effect, and blue chip bias significantly enhance risk perception.

In contrast, overconfidence has a direct positive impact on investment decision-making but does not influence risk perception. Risk perception itself was found to be positively associated with investment decisions. The study shows that all four behavioral finance factors indirectly affect investment decisions through their influence on risk perception. The research is context-specific to Saudi Arabia and may not be applicable to other cultural settings. Additionally, the study focused on only four behavioral finance factors, potentially overlooking other influences on risk perception and investment choices. The results underscore the significance of risk perception in investment decisions and suggest that investors should be aware of their behavioral biases. Furthermore, the study indicates that advisors and policymakers should develop strategies to address these biases and improve investment outcomes.

Jains and Lakshmi (2023) investigated how investment inefficiency affects expected returns, focusing on Indian firms where ownership is often concentrated in the hands of promoters and families. This structure can lead to agency problems, particularly conflicts between majority and minority shareholders. The study explores how deviations from optimal investment levels referred to as investment inefficiency impact the ex-ante measure of expected returns, specifically the implied cost of capital. Their findings indicate a positive correlation between investment inefficiency and expected returns. This relationship was observed in both the baseline results using pooled ordinary least squares (OLS) and in robustness checks using a two-step generalized method of moments (GMM). The analysis was conducted on a sample of listed Indian firms from 2016 to 2021.

Mohammad and Salhy (2023) explored the impact of behavioral finance and financial education on investment decisions in the Kurdistan region of Iraq during 2020-2022. This quantitative study aimed to understand how behavioral biases and levels of financial literacy affect investment choices among 200 investors in the region. Using regression analysis, the researchers found that investment decisions were significantly influenced by behavioral biases such as loss aversion and overconfidence. Additionally, investors with higher financial literacy were less affected by these biases, indicating that financial education plays a positive role in improving investment behavior. The analysis revealed a statistically significant relationship between behavioral biases, financial literacy, and

investment choices, with a p-value of less than 0.05. The study underscored the importance of financial education in mitigating the effects of cognitive biases, suggesting that better financial literacy leads to more informed investment decisions. The findings highlight the need for enhanced financial education programs to reduce the impact of behavioral biases and improve investment outcomes. These insights are valuable for regulators, banks, and individuals aiming to influence investment practices and expand financial literacy and services in the region. By promoting financial education, there is potential to improve investment behavior and stimulate economic growth in Kurdistan.

Paneru (2023) examined stock market efficiency and factors affecting investment decisions in Nepal. The study assessed the efficiency of the Nepal Stock Exchange (NEPSE) by focusing on weak and semi-strong forms of market efficiency and evaluating the impact of weekends on stock returns. It analyzed how factors like earnings announcements, dividend announcements, insider information, and intrinsic stock value influence investor decisions. The research involved a sample of 86 active investors on NEPSE, surveyed via questionnaire, and used secondary data from 20 listed companies in the banking and financial sectors. This secondary data included five companies each from commercial banks, development banks, finance companies, and microfinance institutions. To evaluate market efficiency, the study employed event study methodologies with three models: the mean adjusted return model (MAR), the market adjusted return model (MKRM), and the risk-adjusted return model (RAR) for semi-strong efficiency. It also used non-parametric tests (run and autocorrelation tests) to assess weak form efficiency and regression analysis with dummy variables to analyze the weekend effect. The results indicated that the Nepalese stock market exhibits weak form efficiency but is not semi-strong form efficient, meaning investors cannot consistently achieve abnormal returns based on publicly available information. However, specific companies showed deviations: NMBMF did not align with weak form efficiency, while SCB and MNBBL showed semi-strong form efficiency using the MKRM and RAR models. Primary data revealed that only intrinsic stock value and earnings announcements significantly influenced investor decisions, whereas dividend announcements and insider information had no notable effect. Additionally, the study found no weekend effect on stock returns in the Nepalese market. These insights are important for investors, policymakers, and

brokerage firms, providing a foundation for further research and decision-making in Nepal's financial market.

Acharya (2022) conducted an empirical study examining how behavioral factors influence individual investor decision-making at the Nepal Stock Exchange (NEPSE). While traditional finance theories have been explored for centuries, behavioral finance focused on the psychological aspects influencing financial decisions is a relatively recent development. This study explores how cognitive biases and emotional factors affect individual investors' choices. The research framework integrates theories from behavioral finance and reviews relevant literature, including both theoretical and practical studies. Utilizing a quantitative approach, the study involved a survey distributed to 400 individual investors at NEPSE. Out of these, 204 responses were deemed valid for analysis. The reliability of the data was confirmed, with Cronbach's alpha values ranging from 0.68 to 0.806, indicating good consistency. The findings reveal that a significant portion of investors are motivated by bonuses and dividends (36.7%) or engage in short-term trading (33.8%). The study identified strong positive correlations between investment decision-making and various behavioral biases: regret aversion (0.765), loss aversion (0.730), representativeness (0.738), price anchoring (0.721), and overconfidence (0.613). These correlations suggest that these biases have a substantial influence on investor decisions. Regression analysis showed that the model and its variables are statistically significant at a 95% confidence level. The R^2 value of 0.905 indicates that 90.5% of the variability in investment decisions can be explained by the combined effects of the behavioral biases studied. This underscores the substantial role that psychological factors play in shaping investment behaviors among individual investors at NEPSE.

Ahmad and Wu (2022) explored the impact of herding behavior on perceived market efficiency, investment decisions, and individual investor performance on the Pakistan Stock Exchange (PSX). This study aimed to elucidate how herding influences these areas within the context of an emerging market. Adopting a deductive approach, the research was grounded in behavioral finance theories. Data was collected through a questionnaire administered to a sample of 309 investors active on the PSX, using a cross-sectional design. The analysis employed SPSS and AMOS software, with hypotheses evaluated through structural equation modeling (SEM). The findings reveal that herding behavior

negatively impacts perceived market efficiency and investment performance but positively affects individual investment decisions. This study is pioneering in linking herding behavior with investment management and perceived market efficiency. It contributes to the behavioral finance literature by offering insights into how herding affects investment management in emerging markets, an area that remains underexplored. This research provides valuable understanding of the behavioral factors influencing investment decision-making and highlights the need for further investigation into these dynamics in both developing and developed markets.

Kong et al. (2022) investigated the impact of economic policy uncertainty (EPU) on firm investment decisions, focusing on whether such uncertainty presents a challenge or an opportunity for firms. Using data from Chinese A-share listed companies spanning from 2007 to 2019, the study explores how varying levels of EPU influence investment behavior and efficiency. The research reveals that macro-level EPU tends to hinder both the scale and efficiency of firm investments, while increasing the likelihood of overinvestment or underinvestment. Conversely, local EPU tends to boost a firm's investment scale but also heightens the risk of investment inefficiencies. Specifically, macro-level EPU encourages firms to invest in research and development (R&D) but deters them from green investments. In contrast, local EPU decreases R&D investment while encouraging green investments. Additionally, macro-level EPU negatively impacts firm performance significantly more than local EPU. The findings suggest that in an environment of economic uncertainty, government efforts should focus on stabilizing the broader economic environment, while firms should concentrate on optimizing their investment strategies and strengthening risk management practices.

Suresh (2021) investigated how financial literacy and behavioral biases influence investment decision-making. The study explored how various aspects of financial literacy essential for making informed investment choices interact with behavioral biases, which include heuristic bias, framing effects, cognitive illusions, and herd mentality. A questionnaire designed with Likert scaling was used to gather data, which was then analyzed using Structural Equation Modeling (SEM). The findings revealed that heuristic bias positively correlates with the formation of behavioral biases in decision-making. In contrast, framing effects, cognitive illusions, and herd mentality were found to have

negative associations with the development of such biases. The results indicate that investors are more likely to rely on heuristic biases rather than other irrational methods when making investment decisions. Consequently, a higher level of financial literacy is shown to significantly impact stock market investment decisions, emphasizing its importance in mitigating the effects of behavioral biases.

Shakya (2021) examined the influence of behavioral biases on the stock investment decisions of investors in Nepal. The study aimed to explore how various cognitive biases impact investment choices among Nepalese investors. Behavioral finance, a field focused on the psychological aspects of investing, suggests that these biases often hinder rational decision-making due to the inherent uncertainty and risk involved in investments. The research concentrated on four specific behavioral biases: anchoring, overconfidence, disposition effect, and herding behavior. Conducted within the Kathmandu Valley and restricted to selected business sectors, the study utilized a limited set of analytical tools to assess how these biases affect individual investment decisions. The findings underscore the significance of these biases in shaping investment behavior among Nepalese investors. The study highlights the importance of understanding these biases in investment decision-making and suggests that further research could explore additional behavioral biases or investigate their impact on group or corporate investment decisions. Expanding the scope of such studies could provide deeper insights into how various biases influence investment strategies and outcomes.

Dangol (2017) investigated the perceptions of equity investors regarding market efficiency in Nepal using a structured questionnaire. The study targeted three specific groups of informed investors: university academicians, chartered accountants, and corporate officials. These respondents were selected through a judgmental sampling method. The findings revealed that Nepalese investors generally accepted the existence of weak-form and semi-strong form market efficiency but did not acknowledge the presence of strong-form efficiency. Additionally, the study highlighted that investors considered dividend announcements as significant market-moving news and refuted the dividend irrelevance theory, supporting instead the dividend signaling effect. The study also noted that the primary motivation for Nepalese investors' decisions was their confidence in their own ability to outperform the market, rather than their views on market efficiency.

Dangol (2012) investigated the efficiency of the Nepalese stock market by analyzing random-walk behavior and weak-form market efficiency. The study focused on the daily returns of the All Share Price Index (ASPI) and the Sensitive Index (SI) on the Nepal Stock Exchange (NEPSE), utilizing variance-ratio tests and runs tests as outlined by Lo and MacKinlay (1988). The data covered the period from September 13, 2006, to May 13, 2010. The results showed a strong rejection of the random-walk hypothesis for both indices, indicating a lack of weak-form efficiency in the market. This suggests that investors may have the potential to forecast future prices and achieve abnormal returns in the Nepalese stock market.

Table 1

Summary of Empirical Review

Authors	Variables	Methodology	Major Findings
Laili et al. (2024)	Magnitude of Profits and Risks is dependent variables where Capital Asset Pricing Model (CAPM) Method, Stock Prices, Interest Rates, Stock Index (SI), Macroeconomic indicators Industry-specific factors Company-specific factors And Market sentiment and investor behavior are independent variables	This research aims to determine the magnitude of profits and risks and classify efficient and inefficient shares by applying the Capital Asset Pricing Model method to cosmetics sub-sector companies listed on the IDX	The method used in the research is a qualitative method with quantitative data, in the form of a list of the latest stock prices, interest rates, and the Indonesian Sharia Stock Index sourced from the official website of the Indonesian Stock Exchange, Yahoo Finance, and Bank Indonesia
Lam et al. (2024)	Investment Decisions of Australasian REITs is the dependent variables where Behavioral Finance Factors, Normative Decision Factors and Market conditions Economic indicators Regulatory environment Investor demographics REIT-specific factors are independent variables.	As behavioural factors are significant in the decision-making process, REIT fund managers should raise awareness to avoid the significant behavioural factors identified, in particular investor sentiment, which was found to be the most significant one	It also extends the scale of existing studies to cover not only Australia but also New Zealand for the benefit of the entire Australasian market.
Mokni et al. (2024)	Adjusted Market Inefficiency Magnitude (AMIMs) Measure is dependent variables where Global Financial Stress,	The results show evidence of time variation in the levels of market	Finally, the COVID-19 pandemic positively and significantly affected crypto currency market inefficiencies across most

	Crypto currency Liquidity, Money Flow, COVID-19 Pandemic, Market-specific factors (such as trading volume, volatility, market sentiment) Regulatory environment Technological advancements Macroeconomic indicators (such as GDP growth, inflation rate) Investor sentiment and behavior are independent variables.	(in) efficiency for Bitcoin and Ethereum. Interestingly, the quintile regressions indicate that global financial stress negatively affects the AMIMs measures across all quintiles	quintiles.
Albagli et al.(2023)	The dependent variables are investment inefficiencies where market imperfections, endogenous rents, upside risks, down side risks, scalability of investment, shareholders collective behaviour and price externality are independent variables.	Market imperfections create endogenous rents that cause overinvestment in upside risks and underinvestment in downside risks	In general equilibrium, the shareholders' collective attempts to boost value of individual firms leads to a novel externality operating through price that amplifies investment distortions with downside risks but offsets distortions with upside risks.
Almansour et al. (2023)	Investment Decision Making is dependent variables where Behavioral Finance Factors, Risk Perception, Investor demographics, Investment experience Risk tolerance Market conditions Economic indicators Regulatory environment are independent variables.	An online questionnaire was distributed to 150 individual investors, out of which 134 were returned and ready for analysis. The data is analyzed using structural equation modeling (SEM).	The results suggest the need for investors to consider their behavioral biases and for advisors and policymakers to develop strategies to mitigate their impact.
Jains and Lakshmi (2023)	Dependent variables are Expected Returns where Investment Inefficiency, Firm size, leverages, profitability, growth opportunities industry effects are independent variables.	This motivated us to examine the adverse effect of not investing at the level implied by the firms' characteristics, termed investment inefficiency, on the ex-ante measure of expected returns, the implied cost of capital	The robustness results estimated using a two-step generalized method of moments (GMM). The sample of the study consists of listed firms in India from 2016 to 2021
Mohammad and Salhy (2023)	Investment Choices is dependent variables where Behavioral Biases, Financial Education, Investor demographics , Investment experience Risk tolerance Market conditions	This research shows that financial education is crucial for reducing the impact of behavioral biases and increasing the likelihood of	The results have substantial ramifications for regulators, banks, and individuals in the region who are interested in influencing investment patterns and expanding access to financial services as well as literacy programs.

	Economic indicators Regulatory environment are independent variables.	making well-informed investing choices.	
Paneru (2023)	Stock Market Efficiency is dependent variables where Earnings Announcements (EA), Dividend Announcements (DA), Insider Information (II), Intrinsic Stock Value (IV) and Investor characteristics Macroeconomic indicators Market sentiment and volatility Regulatory environment Industry-specific factors are independent variables.	The study encompassed a sample of 86 investors active on the Nepal Stock Exchange (NEPSE) to examine factors influencing investment decisions via questionnaire	In regards to the weekend impact, there is no weekend effect in the Nepalese stock market. These findings hold significance for investors, policymakers, and brokerage firms, offering valuable insights for further research endeavors.
Acharya (2022)	Investment Decision Making dependent variables where Investment Decision, Regret Aversion Bias, Loss Aversion Bias, Representativeness, Price Anchoring, Overconfidence, Investor demographics, Investment experience Risk tolerance Market conditions Economic indicators Regulatory environment are independent variables	This research entitled Behavioural Factors influencing investment decision making: an empirical study of Nepal Stock Exchange is an attempt to discuss the impact of behavioural biases on the decision making process of investors	The value of R2 0.905 which indicates that 90.5% of the investment decision made by the investors is influenced by the combination of regret aversion bias, loss aversion bias, representativeness, price anchoring and overconfidence
Ahmad and Wu (2022)	Dependent variables are perceived market efficiency where herding behaviour, investor characteristics, market conditions and external factors are independent variables.	The collected data were analyzed using SPSS and AMOS graphics software. Hypotheses were tested using structural equation modeling (SEM).	It also adds to the literature in the area of behavioral finance, specifically the role of herding behavior in investment management; this field is in its initial stage, even in developed countries, while little work has been done in developing countries.
Kong et al. (2022)	Dependent variables are firm investment scale firm investment efficiency risk of overinvestment or underinvestment where macroeconomic policy uncertainty local economic policy uncertainty R&D investment green investment business performance government stabilization measures firm optimization strategies are independent variables.	In contrast, local EPU inhibits R&D investment and promotes green investment. Macro EPU has a significant negative effect on firms' business performance, while local EPU has a smaller effect	Therefore, in an uncertain environment, the government should actively stabilize the macroeconomic environment, and firms should actively optimize investment structures and improve their risk prevention mechanisms.

Shakya (2021)	Behavioral Biases of Stock Investment Decisions of Nepalese Investors is the dependent variables where Anchoring, Overconfidence, Disposition Effect, Herding Behavior Investor demographics (such as age, gender, education level) Investment experience Risk tolerance Market conditions Economic indicators Regulatory environment are independent variables.	Various behavioural biases influence this risk and uncertainty. These behavioural biases focus on investor's behaviour and their investment decision-making process.	Future studies may be elaborated by analyzing other behavioural biases that too have a substantial impact on individual investment decision making in their unique way. The study can also further be elaborated to investigate the impact on a group or corporate investment decision making as well.
Suresh (2021)	Investment Decision-making is dependent variables where Financial Literacy, Behavioural Biases, Investor demographics, Investment experience Risk tolerance Market conditions Economic factors are independent variables.	The present study examines the combined impact of financial literacy and behavioural biases on investment decisions	Further, investors often practice and follow heuristic biases rather than other irrational techniques for making investment decisions. Therefore, the financial literacy of individual investors has a significant impact on affecting stock market investment decisions.
Bhatta (2019)	Investment Decision is the dependent variables where Awareness Level, Consideration of IPOs as Risk-Free Investments, Consideration of Company Goodwill and Investor's General Consideration in Primary Market are independent variables.	Investors are found to have required awareness level on order to invest in IPO. Investor also considers IPO as risk free form of investment.	A person's data analysis of consideration company goodwill revealed a positive correlation, r= 0.719 p=0.000, while making investment decision. General investors who invest in primary market highly considered while investing money.
Dangol (2017)	The dependent variable is investor's perception of Market Efficiency where types of investors, belief in market influential news, dividend relevancy theory, and investment decision driver are independent variables.	Nepalese investors believed in the existence of weak form and semi strong form of market efficiency; whereas they rejected the existence of strong form market efficiency	The primary driver of the Nepalese investors' tendency to invest is confidence in personal ability to outperform, regardless of their belief about market efficiency.
Dangol (2012)	The dependent variable is Market Efficiency where Daily Market Returns of All Share Price Index (ASPI) and Sensitive Index (SI), Market liquidity Market volatility Trading volume Macroeconomic indicators	Nepal Stock Exchange (NEPSE) using Lo and Mac Kinlay's (1988) variance-ratio tests and runs tests for the period between September 13, 2006 to May 13, 2010.	There is no evidence for weak-form efficiency in either series. It implicates that market participants have opportunities to predict future price and earn abnormal returns from the Nepalese stock market.

	Regulatory changes Investor sentiments are independent variables.

2.5 Research Gap

Over recent decades, the financial markets have faced unforeseen and sudden economic disruptions, which have impacted stock returns both directly and indirectly. This study focuses on how the Nepalese stock market reacts to both tangible and intangible information, as well as investors' perspectives on market issues. The findings reveal that capital structure and pricing methods significantly influence investment decisions. Additionally, political and media influences play a crucial role in shaping investor behavior, while beliefs in luck and the level of financial education affect investment choices. Trend analysis also proves essential for understanding stock movements.

The research concludes that both tangible and intangible information are crucial for success in the Nepalese capital market. Conducted primarily for academic purposes, the study focused on investors in the Kathmandu district due to its large investor base. Convenience sampling was used to gather accurate, reliable, and valid data from local investors, as limited research has been done in this area.

Previous studies often overlooked investor attitudes towards equity markets compared to mutual funds, portfolio management, and insurance. Furthermore, the rise of digital trading platforms such as demat accounts and mobile applications like Mero Share and C-ASBA highlights gaps in earlier research that focused on physical trading environments.

The impact of the COVID-19 pandemic has further complicated the market situation, emphasizing the need for updated research. This study addresses these gaps and provides insights into the evolving landscape of equity market investments in Nepal.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design employed in the study, detailing the methods used to gather and analyze data effectively. It starts by describing the overall research plan and design, including information about the study's population and sample. Following this, it covers the data collection process, the tools used for data gathering, and the techniques for analyzing the data. The chapter emphasizes the research methodology applied throughout the study.

3.2 Research Design

The research relies on primary data and information. A descriptive and causal-comparative research design has been employed to investigate investor perceptions regarding initial public offerings (IPOs). The study targets a population of 400 investors, with responses obtained from 384 participants. The sample consists of 384 investors from the Kathmandu District. This approach is deemed suitable for exploring the cause-and-effect relationships between various variables. The data collected are analyzed and presented using SPSS software.

3.3 Population Sample and Sampling Design

The population under study refers to the broad group from which generalizations are made. Given the large size of this group, it is often impractical to collect detailed information from every member. Instead, a smaller subset, known as the sample, is selected to represent the population. Sampling allows researchers to draw conclusions about the entire population based on this smaller group. This research focuses on understanding investor perceptions of initial public offerings (IPOs) within the Nepalese context, specifically among investors in the Kathmandu District. The study aims to gauge public responses to IPOs. In Nepal, 86 brokers are registered with the Nepal Stock Exchange (NEPSE), and more than 384 small-scale investors are active in the Kathmandu Valley, engaging in buying and selling shares. For this study, the entire investor population in the Kathmandu District is considered, with a sample size of over

384. Convenience sampling, a non-random selection method, was employed to gather the sample. This technique involves selecting samples that are readily accessible rather than through judgment or probability-based methods. The study includes pre-testing of the questionnaire and uses descriptive research methods to analyze the collected data.

3.4 Nature and Sources of Data

This study relies on primary data collected to address specific research objectives, using a structured questionnaire survey method. Primary data can be sourced through various methods such as interviews, observations, or experiments, but this study employs a questionnaire to investigate investor perceptions of initial public offerings (IPOs) in the Kathmandu District. The data was gathered through a questionnaire designed with a 5-point rating scale, where responses ranged from 1 (Strongly Agree) to 5 (Strongly Disagree).

3.5 Questionnaire

The structured questionnaire was distributed and collected via email, which allowed the researcher to ensure that all responses were fully completed and to minimize missing data. This method also provided an opportunity for the researcher to address any questions respondents might have about the questionnaire. The source of the questionnaire is Gnawali (2022).

3.6 Data collection procedure and instrument

The data for this research was sourced primarily from online questionnaires. The respondents were selected from the Kathmandu district. After gathering the primary data, it was organized into tables for analysis. The analysis was conducted using SPSS and Microsoft Excel, along with various statistical tools.

3.7 Data processing procedure and data analysis methods

Various statistical tools, including mean, median, standard deviation, and correlation, were employed to analyze and interpret the data collected from primary sources. SPSS was utilized for data analysis, which involved processing the data through tabulated frequency distributions. Correlation techniques were applied to assess the strength of relationships between variables. The analysis aimed to carefully examine available facts

to draw conclusions based on established principles and sound logic. The data were tabulated, categorized, and analyzed using appropriate statistical and financial tools. Additionally, open-ended questions were included in the questionnaires. Comparative analysis was conducted using percentages, graphs, and charts. The statistical tools used to present the comparative results include:

Percentage

Percentage is a valuable tool for comparing two quantities or variables. Essentially, a percentage represents a fraction with a denominator of 100, where the numerator indicates the percentage rate. This method allows for straightforward comparison by expressing values as a fraction of 100.

Correlation analysis

Correlation is a statistical tool used to assess the strength and direction of the relationship between two or more variables. It measures how changes in one variable are associated with changes in another. Correlation does not imply causation; it only indicates the degree of association between variables. The correlation coefficient ranges from -1 to +1. A value close to +1 indicates a strong positive relationship, where an increase in one variable is associated with an increase in another. A value close to -1 shows a strong negative relationship, meaning an increase in one variable corresponds to a decrease in another. A value around 0 suggests a weak or no linear relationship between the variables. Pearson's correlation coefficient (r) is commonly used to evaluate these relationships, with values close to +1 or -1 signifying a strong correlation, and values near 0 indicating a weak correlation.

Regression Analysis

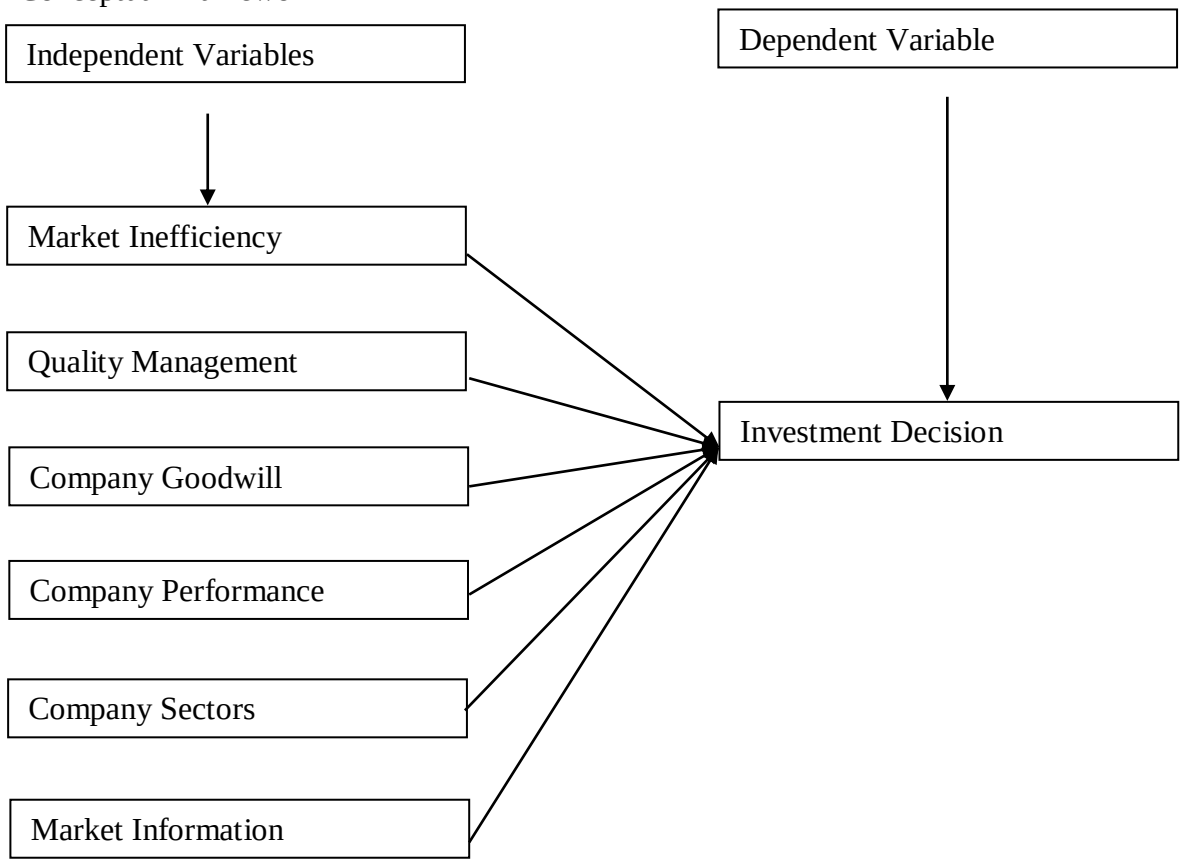
Regression analysis is a statistical method used to explore and estimate the relationships between a dependent variable and one or more independent variables. It serves two main purposes. Firstly, it is employed for prediction and forecasting, where it helps estimate future values of the dependent variable based on the values of independent variables. This application is widespread in fields such as finance and machine learning. Secondly, regression analysis can be used to infer causal relationships, helping to determine how

changes in independent variables might affect the dependent variable. This use of regression is important for understanding the impact of various factors on outcomes. Overall, regression analysis is a valuable tool for both making predictions and examining causal connections.

3.8 Research framework and definition of variables

A conceptual framework is a visual tool used to illustrate the anticipated relationships between variables within a financial context. Also known as a conceptual model or research model, it depicts the different variables and the assumed connections among them, reflecting the expected cause-and-effect dynamics. This framework helps clarify the underlying assumptions and provides a structured approach to understanding and analyzing the relationships between key factors in a study.

Conceptual Framework



Sources: Gnawali, (2022), Albagli, Hellwing and Tsyvinski, (2023)

Figure 1: Research Framework

Terms used

Market Inefficiency

Market inefficiency can be conceptualized as an independent variable in financial research. This inefficiency may be driven by factors such as information asymmetry, behavioral biases, regulatory constraints, or technological limitations. Researchers can explore how these factors contribute to the observed inefficiencies in financial markets (Gnawali, 2022).

Quality Management

Quality management involves overseeing activities and tasks to maintain a high level of excellence within an organization. It encompasses defining a quality policy, planning and implementing quality assurance measures, and conducting quality control and improvement processes (Gnawali, 2022).

Company Goodwill

Goodwill is an intangible asset that represents the premium paid over the fair market value of a company's identifiable assets and liabilities during an acquisition. It is calculated by subtracting the net value of assets and liabilities from the total purchase price (Albagli et al. 2023).

Company Performance

Company performance includes both financial and non-financial indicators that measure how well a company is executing its business strategy. These indicators are used to assess performance and identify areas that may require improvement (Gnawali, 2022).

Company Sectors

A company sector is a segment of the economy where businesses engage in similar or related activities, products, or services. It helps categorize businesses based on their primary operational focus (Gnawali, 2022).

Market Information

Market information refers to the data or knowledge conveyed through specific arrangements or sequences, including genetically transmitted information. This information is crucial for understanding market dynamics (Albagli et al. 2023).

Investment Decision

Investment decisions involve the allocation of a firm's funds into various assets with the aim of achieving the highest possible returns for investors. This process is critical for maximizing the financial performance of the firm (Albagli et al. 2023).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter focuses on the presentation and analysis of data. It details how the information gathered from respondents is organized and examined based on their feedback. The researcher personally distributed and collected all the questionnaires. The data collected were analyzed using various tools and techniques. The results obtained from this analysis are presented systematically and interpreted with careful consideration in the subsequent sections.

4.1 Results

Nature of the Respondents

The data analysis of 384 respondents reveals significant insights into their investment profiles. Gender distribution shows a majority of males at 57.03%, which may influence the overall investment attitudes and behaviors within the sample. Age demographics indicate that the largest group consists of young adults aged 18-20 (30.21%), closely followed by individuals aged 40-60 (29.95%). This suggests a blend of youthful perspectives with the experience of older respondents, potentially leading to diverse investment strategies. Educational attainment reveals that 35.15% of participants hold only intermediate qualifications, while 29.95% have bachelor's degrees. This educational background might limit the depth of their investment knowledge, impacting their decision-making processes. In terms of occupation, students represent the largest segment (34.11%), with government employees at 36.98%. This highlights a mix of emerging investors eager to learn and established workers with stable incomes, both of whom may approach investment differently. Regarding investment amounts, a significant portion invests in the lower range, particularly 0-20 lakhs (30.21%), and only 1.82% exceed 80 lakhs, indicating a generally cautious investment strategy among respondents. Finally, motivations for investing are primarily focused on generating dividends (33.85%) and achieving capital gains (29.68%), reflecting a long-term wealth-building approach rather than a preference for quick returns. This comprehensive profile suggests that while the sample shows a strong interest in investment, factors such as education and age significantly influence their strategies and motivations.

Table 2

Respondent Profile

Variables	Component	Frequency	Percent
Gender	Male	219	57.03
	Female	165	42.97
	Total	384	100.00
Age Group	18-20	116	30.21
	20-40	84	21.86
	40-60	115	29.95
	60+	69	17.98
	Total	384	10.00
Education	Intermediate	135	35.15
	Bachelor degree	115	29.95
	Master degree	96	25.00
	M. Phil/PhD.	38	9.90
	Total	384	100.00
Occupation	Business	43	11.20
	Student	131	34.11
	Government Employer	142	36.98
	Private employer	68	17.71
	Total	384	100.00
Investment amount	0-20 lakhs	116	30.21
	20-40 lakhs	105	27.34
	40-60 lakhs	86	22.39
	60-80 lakhs	70	18.22
	80 lakhs above	7	1.82
	Total	384	100.00
Reason for Investment	Liquidity	38	9.89
	Dividend Purpose	130	33.85
	Capital Gain	114	29.68
	Quick Return	102	26.56
	Total	384	100

Source: Field Survey 2024

Descriptive Analysis

Descriptive statistics are employed to analyze the data gathered from respondents throughout the research. This section presents the frequency distribution for each service dimension, which constitutes the dependent variables in the study. It also provides additional information, including the minimum, maximum, mean, and standard deviation for each variable. Ratings were assigned on a scale from 5 (Strongly Agree) to 1 (Strongly Disagree).

Assessment of investor perception in market inefficiency

Market inefficiency can be conceptualized as an independent variable in financial research. This inefficiency may be driven by factors such as information asymmetry, behavioral biases, regulatory constraints, or technological limitations.

Table 3

Market Inefficiency

Market Inefficiency	N	Mean	Std. Deviation
I believe that stock markets often reflect all available information accurately, or are there frequent discrepancies.	384	3.70	1.025
I think market inefficiencies impact the performance of individual investors versus institutional investors.	384	3.25	0.551
I considered that the investors can exploit market inefficiencies to achieve above-average returns, or do these opportunities quickly disappear.	384	3.88	1.22
Average Mean	384	3.66	1.057

Source: *Field* Survey, 2024

Table 3 summarizes perceptions of market inefficiency from a survey of 384 participants. The data indicate that respondents generally believe stock markets do not consistently reflect all available information accurately, with an average score of 3.70 (SD = 1.025). Additionally, there is a recognition that market inefficiencies tend to affect individual investors more than institutional ones, as reflected in a lower average score of 3.25 (SD = 0.551). Conversely, the belief that investors can exploit these inefficiencies for above-average returns garnered a higher average score of 3.88 (SD = 1.22), suggesting a strong conviction in the potential for capitalizing on such opportunities, even if they may be fleeting. Overall, the average mean score of 3.66 (SD = 1.057) highlights a prevailing skepticism about market efficiency and an awareness of the differential impacts on various investor types.

Assessment of investor perception in quality management

Quality management is an independent variable in this research, assessed through three key factors to explore its relationship with investment decisions. These factors include: QM1: the company's legitimacy, QM2: the role of the founder CEO, and QM3: human resources practices.

Table 4

Quality Management

Quality Management	N	Mean	Std. Deviation
Do you consider that legitimacy of company affects in your investment in secondary market.	384	3.96	0.955
Do you consider that founder CEO affects in your investment of Primary and secondary market?	384	3.91	0.948
Do you consider that human resource value affects in your investment in secondary market?	384	3.66	1.114
Average Mean	384	3.84	1.005

Source: *Field* Survey, 2024

Table 43 presents descriptive statistics on the importance of quality management in investors' decisions when investing in the secondary market. All factors have average ratings above 3 on a scale from 1 to 5, suggesting that investors place significant importance on quality management in their investment choices. The mean scores for the first two factors company legitimacy (3.96) and the role of the founder CEO (3.91) are higher compared to the third factor, human resources (3.66). Notably, the standard deviation for the human resources factor (1.114) is higher than for the other two factors (0.955 and 0.948), indicating greater variability in responses regarding the value of human resources.

Overall, the average mean score for all three factors is 3.84, reflecting that investors view quality management as a critical element in their investment decisions in both secondary and primary markets.

Assessment of position of investor's perception in Company Goodwill

Company reputation is an independent variable in this study, examined through five related criteria to understand its impact on investment decisions. The criteria include the company's historical background, its age, and its current financial position. Each factor was rated on a scale from 5 (Strongly Agree) to 1 (Strongly Disagree) to gauge its influence on investor choices.

Table 5

Company Goodwill

Quality management	N	Mean	Std. Deviation
Do you consider that legitimacy of company affects in your investment in a secondary market and Primary?	384	4.13	1.019
Do you consider that founder CEO affects in your investment of a secondary market and Primary?	384	3.87	1.212
Do you consider that human resource value affects in your investment in a secondary market and Primary?	384	3.47	1.125
Average Mean	384	3.82	1.12

Source: *Field* Survey, 2024

Table 5 presents the descriptive statistics for company goodwill as considered by investors when making decisions in secondary and primary markets. The average values for all criteria exceed 3 on a 5-point scale, indicating that investors place significant importance on company goodwill. Despite this, the average value of each criterion remains below 3, suggesting a thorough analysis of each aspect of company reputation before investing. The standard deviations are all below 2, implying that investors generally share similar views and are cautious in their investment choices. The overall mean value for company goodwill is 3.82, with standard deviations exceeding 1 for each criterion.

Assessment of position of investor's perception in Company Performance

One of the independent variables in the research is company performance. To assess how various performance criteria influence investment decisions, five factors were analyzed. These factors include CP1 = Dividend Premium, CP2 = Earnings per Share, and CP3 = Return on Investment. The criteria were evaluated using a scale from 5 (Strongly Agree) to 1 (Strongly Disagree).

Table 6

Company Performance

Company performance	N	Mean	Std. Deviation
Do you consider that dividend premium matter more for your investment in secondary Market?	384	3.78	1.170
Do you consider that earning per share (EPS) make investors to invest in secondary Market?	384	3.92	1.219
Do you consider that return on investment (ROI) make investors to invest in secondary Market?	384	3.76	1.191
Average mean	384	3.82	1.193

Source: *Field* Survey, 2024

Table 6 presents descriptive statistics for company performance factors considered by investors when evaluating investments in the secondary market. The average values for all factors exceed 3 on a 1 to 5 scale, indicating that investors generally regard company performance as an important criterion for secondary market investments. The lowest mean value, 3.76, for CP3 (Return on Investment), suggests that investors place slightly less emphasis on this factor compared to others. The mean values for CP1 (Dividend Premium) and CP2 (Earnings per Share) are similar, ranging from 3.78 to 3.92, showing that investors carefully evaluate these aspects. A standard deviation of 1.193 for company performance indicates variability in responses, reflecting diverse opinions among respondents. The overall average mean for company performance is 3.82.

Assessment of position of investor's perception in Company Sectors

The study examines how characteristics of the company sector influence investment decisions, considering five independent variables. To assess this impact, three specific

criteria related to company sectors were analyzed: CS1 (Investment in the banking sector), CS2 (Investment in insurance), and CS3 (Investment in the hydropower sector).

Table 7

Company Sectors

Company sectors	N	Mean	Std. Deviation
Do you consider that investment in banking sector of secondary Market is better?	384	3.91	1.078
Do you consider that investment in insurance company of secondary Market is better?	384	3.84	0.991
Do you consider that investment in hydropower company of secondary Market is better?	384	4.04	1.116
Valid N (listwise)	384	3.93	1.062

Source: *Field* Survey, 2024

Table 7 presents an analysis of investor perspectives on various sectors when making investment decisions in the secondary market. The data reveals that all sectors, except for the hydropower industry, have average values exceeding 3. This suggests that investors evaluate these sectors with a moderate level of importance before deciding to invest. Among the sectors, insurance investments hold the highest mean value of 3.91 and a standard deviation of 1.078, indicating that investors place significant emphasis on this sector. Conversely, the banking sector has the lowest mean value of 3.84 and the highest standard deviation of 1.116, reflecting less investor interest and greater variability in opinions. The hydropower sector has a mean value of 3.93 with a standard deviation of 1.062, showing a generally favorable perception.

Assessment of position of investor's perception in market information

One of the independent variables in this research is market knowledge. To assess how market knowledge influences investment decisions, five criteria were evaluated. These criteria include: MI1: Media commentary, MI2: Future forecasting, and MI3: Historical trends of the secondary market.

Table 8

Marketing Information

Marketing information	N	Mean	Std. Deviation
Do you consider that comment on media affects in your investment in secondary Market?	384	3.95	1.126
Do you consider that future prediction and forecast affect your investment in secondary Market?	384	3.59	1.134
Do you consider that the past	384	3.91	1.072
Average mean	384	3.82	1.109

Source: *Field* Survey, 2024

Table 8 reveals that the average score for each question exceeds 3, indicating that investors place considerable importance on market information when making investment decisions. The overall mean for market information is 3.95, with a standard deviation of 1.126, suggesting a strong emphasis on market data among investors. The standard deviations for individual factors range from 1.072 to 1.134, reflecting a relatively consistent opinion among respondents, although the deviations indicate some variability in responses. Standard deviations above 1 imply a lack of uniformity among the respondents' views.

Assessment of positions of investor's perception in Investment decision

In this study, the investment choice is treated as the dependent variable, with various independent variables examined for their impact. The relationships between these independent variables and investment decisions have been analyzed in detail. To gauge investor perceptions regarding investment choices, respondents were asked about their views on IPO investments. The study aimed to understand whether investors believe IPOs present higher risks compared to other investment options, whether they view IPOs as risk-free, and if they consider IPOs to be a guaranteed way to achieve financial returns. These inquiries help to reveal how investors perceive the risks and potential rewards associated with IPOs, providing insight into the factors that influence their investment decisions.

Table 9

Investment Decision

Investment Decision	N	Mean	Std. Deviation
Do you conclude that individual invested have more risk in secondary Market investment?	384	3.99	1.030
Do you consider that IPOs are risk free from of investment?	384	4.28	0.851
Do you consider that secondary Market is guaranteed way of making money?	384	3.85	1.113
Average mean	384	4.04	0.998

Source: *Field* Survey, 2024

Table 9 presents an assessment of investor attitudes and perceptions regarding IPO investment decisions. All mean values, except for one, exceed 3 on a 5-point scale, signifying that respondents consider various factors related to secondary market investments significantly. Specifically, the statement about individual investors facing higher risks in secondary market investments received a mean score of 4.28 and a standard deviation of 0.851, indicating that this aspect is given considerable attention by investors. The overall mean for the factors under consideration is 4.04, with a standard deviation of 0.998, reflecting that respondents place substantial thought into these factors when making investment decisions. The standard deviations for all responses exceed 1, suggesting considerable variation in opinions among respondents.

Correlation Analysis

Pearson correlation analysis is used to determine the relationships between various independent and dependent variables in the research. This method assesses the linear relationship between pairs of variables. The analysis was performed on variables that were measured using straightforward multiple-choice responses. To gauge the strength and direction of these relationships, a correlation matrix was constructed. A positive correlation suggests that as one variable increases, the other variable tends to increase as

well. Conversely, a negative correlation indicates that an increase in one variable corresponds with a decrease in the other.

Table10

Pearson's Correlation Matrix

		Investment Decision	Market efficiency	Quality Management	Consumer Goodwill	Consumer Performance	Company Sector	Market Information
Investment Decision	Pearson Correlation	1	.245	.266**	.442**	.393**	.117*	.407**
	Sig. (2-tailed)		.000	.000	.000	.000	.018	.000
Market Inefficiency	Pearson Correlation		1	.237	.388**	.378**	.119*	.406**
	Sig. (2-tailed)			.001	.003	.006	.020	.009
Quality Management	Pearson Correlation			1	.204**	.374**	.134**	.292**
	Sig. (2-tailed)				.000	.000	.007	.000
Consumer Goodwill	Pearson Correlation				1	.224**	.166**	.257**
	Sig. (2-tailed)					.000	.001	.000
Consumer Performance	Pearson Correlation					1	-.035	.403**
	Sig. (2-tailed)						.484	.000
Company Sector	Pearson Correlation						1	-.024
	Sig. (2-tailed)							.626
Market Information	Pearson Correlation							1

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

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

Source: correlation using SPSS

Table 10 presents correlation coefficients and significance levels among seven variables: investment decision, quality management, consumer goodwill, consumer performance, company sector, market information, and market inefficiency. The investment decision shows strong positive correlations with consumer goodwill ($r = 0.442$, $p < 0.01$), consumer performance ($r = 0.393$, $p < 0.01$), and market information ($r = 0.407$, $p < 0.01$), along with a moderate correlation with quality management ($r = 0.266$, $p < 0.01$). However, its correlation with company sector is not statistically significant ($r = 0.117$, $p > 0.05$).

Quality management positively correlates with consumer goodwill ($r = 0.204$, $p < 0.01$), consumer performance ($r = 0.374$, $p < 0.01$), and market information ($r = 0.292$, $p < 0.01$). Consumer goodwill also has a significant positive correlation with consumer performance ($r = 0.224$, $p < 0.01$) and market information ($r = 0.166$, $p < 0.01$). Notably, while consumer performance positively correlates with market information ($r = 0.403$, $p < 0.01$), it does not show a significant correlation with investment decision ($r = -0.035$, $p > 0.05$). The company sector exhibits weak and non-significant correlations across the other variables (all $p > 0.05$).

Additionally, the analysis of market inefficiency reveals significant correlations with various variables. Market inefficiency positively correlates with quality management ($r = 0.237$, $p = 0.001$), suggesting that perceptions of inefficiency may be associated with the effectiveness of management practices. Strong positive correlations are also observed with consumer goodwill ($r = 0.388$, $p = 0.003$) and consumer performance ($r = 0.378$, $p = 0.006$), indicating that market inefficiencies may influence consumer perceptions and behaviors. Furthermore, market inefficiency positively correlates with market information ($r = 0.406$, $p = 0.009$), implying that better access to information may be related to perceptions of inefficiency. Overall, these findings highlight the interconnectedness of market inefficiency with consumer behavior, management quality, and investment decisions, emphasizing the complex relationships among these variables.

Regression Analysis

Regression analysis is limited to determining whether there is a strong link between two variables. Regression analysis, which is used in statistical modeling to focus on the relationship between a dependent variable and one or more independent variables, is a statistical procedure for estimating the relationship among the variables.

The results of a correlation analysis can only indicate whether there is a significant association between two variables. However, even if a correlation coefficient shows that two variables have a strong association. It is used to create predictions and describe the nature of relationships. To determine the link between dependent and independent variables, linear regression analysis was used.

Table 11

Impact of Variables for all Samples

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.609	0.281	0.024	2.169	0.031
	Market Inefficiency	0.578	0.236	0.457	1.009	0.045
	Quality Management	0.052	0.052	0.045	1.004	0.316
	Company Goodwill	0.320	0.044	0.314	7.252	0.000
	Company Performance	0.221	0.048	0.217	4.623	0.000
	Company Sector	0.076	0.044	0.072	1.717	0.087
	Market Information	0.227	0.046	0.227	4.968	0.000

Sources: Calculation of using SPSS version 26

The Table 11 provides information on the unstandardized and standardized coefficients for each predictor variable. The unstandardized coefficient (B) represents the change in the outcome variable associated with a one-unit increase in the predictor variable, while holding all other variables constant. The standardized coefficient (Beta) represents the change in the outcome variable associated with a one-standard deviation increase in the predictor variable, while holding all other variables constant.

Market inefficiency has a notable unstandardized coefficient of 0.578, indicating that for every unit increase in market inefficiency, the dependent variable is expected to increase by 0.578 units. This is supported by a standardized coefficient (Beta) of 0.457, suggesting a moderate effect size and a statistically significant relationship ($p = 0.045$). This highlights market inefficiency as a strong predictor of the outcome variable.

The table also provides information on the statistical significance of each predictor variable, as indicated by the t-statistic and associated p-value (Sig.). A smaller p-value indicates that the predictor variable is more strongly associated with the outcome variable. In this table, the constant term (i.e., the intercept) has a coefficient of 0.609, which means that the predicted outcome value when all predictor variables are equal to zero is 0.609. Consumer goodwill has the highest unstandardized coefficient of 0.320,

which indicates that for every unit increase in Consumer goodwill, the dependent variable also increases by 0.320 units. Similarly, Market Information also has a significant coefficient of 0.227, indicating that it has a positive relationship with the dependent variable. Quality management, however, has a coefficient of 0.052 and is not significant at the 0.05 level. This indicates that there is no substantial relationship between quality management and the dependent variable. Company sector also has a low coefficient of 0.076 and is not significant at the 0.05 level, indicating that it may not be a strong predictor of the dependent variable.

Consumer Performance has a coefficient of 0.221, which suggests that it has a positive relationship with the dependent variable, and is significant at the 0.05 level. Overall, the results indicate that market inefficiency, consumer goodwill, and market information are strong predictors of the dependent variable, while quality management and company sector are relatively weak predictors. Consumer performance falls somewhere in between, further emphasizing the complex interplay of these variables in influencing the outcome.

4.2 Discussion

It is discussed that the valuable insights into the relationships between various predictors and the dependent variable, investment decision (ID), within the context of initial public offerings (IPOs). Let's this research into the discussion and compare these findings with those of previous scholars.

Firstly, the correlation analysis highlights significant relationships between the independent variables (MIe., QM, CG, CP, CS and MI) and the dependent variable (ID). Notably, market inefficiency (Mie.) shows the findings on market inefficiency (MIe) indicate its significant impact on investment decisions related to initial public offerings (IPOs). The positive correlation suggests that investors are influenced by perceived market discrepancies when evaluating IPO opportunities. This underscores the importance of understanding market conditions, as these inefficiencies can shape investor behavior and decision-making. Quality management (QM) demonstrates strong positive correlations with company goodwill (CG), moderate positive correlations with company performance (CP) and market information (MI), and a moderate negative correlation with

company sector (CS). Similarly, company goodwill (CG) exhibits strong positive correlations with company performance (CP) and market information (MI) but a strong negative correlation with company sector (CS). These results indicate that aspects like quality management, company reputation, and market information hold considerable influence over investment choices concerning IPOs.

Furthermore, the regression analysis affirms these relationships by demonstrating a robust positive linear association between the predictors and the dependent variable. The coefficient of determination (R Square) indicates that a considerable portion of the variation in investment decisions can be accounted for by the independent variables. These findings are consistent with prior research by scholars such as Niraula (2021), Abdulrassol and Othman (2022), Gupta and Shaijju (2021), Thapa (2019), and Alam and Uddin (2019), who have also highlighted the significant influence of various factors on decisions related to IPO investments.

However, as highlighted in the findings, not all predictors show significant impacts on investment decisions. While market inefficiency (Mie.), quality management (QM), company sector (CS), and market information (MI) demonstrate significant effects, company goodwill (CG) and company performances (CP) do not. This contrasts with the findings of Singh and Setiawan (2021), and Kizysa et al. (2020), who reported insignificant impacts of certain predictors. Such discrepancies may arise from differences in methodologies, sample sizes, or contextual factors, underscoring the complexity of IPO investment decisions.

In conclusion, the present study contributes to the existing literature by reaffirming the importance of factors such as quality management, company sector, and market information in shaping investment decisions related to IPOs. However, it also highlights the need for further research to explore the nuanced influences of other factors and to reconcile conflicting findings across different studies.

Overall, the findings illustrate that investors give substantial thought to market inefficiency, quality management, company goodwill, performance metrics, market information, and sector-specific factors when making investment decisions. The

emphasis on these elements highlights their significance in shaping investment strategies and decisions.

CHAPTERE V

SUMMARY AND CONCLUSION

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

5.1 Summary

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

The text focuses on the factors that influence investors' decisions to invest in initial public offerings Primary and Secondary Market investing. The study looks at variables such as market inefficiency, quality management, company performance, goodwill, and market information, which can persuade investors to purchase a Primary and Secondary Market investing. Data was collected from 384 investors through a questionnaire, and statistical analysis was conducted on the data. The study found that each variable evaluated had an impact on investors' investment decisions. The importance of the capital market in providing long-term assets for businesses was highlighted, with Primary and Secondary Market investing being a key mechanism in the primary market. The Nepalese capital market was also examined, which is relatively new but contributes to the growth of the country's financial system.

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

capital market is a relatively new concept, but it contributes to the growth of the country's financial system. The stock market is an essential component of the capital market, and it plays a vital role in the development of the country's economy. Overall, the study highlights the importance of factors such as market inefficiency, quality management, firm performance, and market information in influencing investors' decisions to invest in Primary and Secondary Market investing. Additionally, the capital market is crucial for companies to obtain long-term assets, and Primary and Secondary Market investing are a key mechanism in the primary market. The Nepalese capital market is still in its early stages but has the potential to contribute significantly to the growth of the country's economy.

5.2 Conclusions

In conclusion, this study underscores the multifaceted nature of investment decision-making by highlighting the significant role of market inefficiency, quality management, company goodwill, and market information. These factors are critical for investors, as they offer a comprehensive view beyond traditional financial metrics. This study expands on perspectives by integrating qualitative aspects into the decision-making process. The emphasis on sector-specific considerations and IPO investments further demonstrates the importance of a nuanced approach to evaluating investment opportunities. Overall, this study contributes to a deeper understanding of investor behavior by blending qualitative assessments with data-driven insights, offering a more holistic framework for evaluating investment decisions.

The primary goal of the research study was to improve investor perceptions of Nepal's initial public offerings Primary and Secondary Market investing. A thorough analysis of the components and their sub-factors shows that each factor market inefficiency, quality management, company goodwill, company performance, company sector, and market information demonstrates a correlation with the others and impacts investor perceptions of investment decisions. Company performance emerged as particularly influential, with a mean value exceeding three and a standard deviation of 0.69. The factors related to the company sector and market information were also significant considerations for investors before making investment choices. Investment decisions are significantly correlated with

market inefficiency, quality management, company goodwill, company performance, company sector, and market information. Market inefficiency and quality management shows a positive correlation with investment decisions, as well as with company goodwill, company performance, and company sector.

Legitimacy of the company, founder CEO, and human resource value are considered important factors by investors in making investment decisions for Primary and Secondary Market investing. Dividend premium, EPS, and ROI are the main factors that investors consider in terms of consumer performance.

Investors exhibit distinct preferences for various company sectors, with insurance companies being the most favored among the options available. It is evident that investors do not view IPOs as risk-free or as guaranteed profit-making opportunities. Media commentary and future forecasts have only a minor influence on investment decisions in both primary and secondary markets, whereas historical performance holds greater significance. The primary conclusion is that market inefficiency, quality management, company goodwill, company performance, company sector, and market information are all crucial factors influencing investment decisions in both primary and secondary markets. Furthermore, investors do not perceive primary and secondary market investments as risk-free or assured of profits. The study also identifies that factors such as the company's legitimacy, the founder or CEO, and the value of human resources are pivotal in shaping investment decisions in these markets.

5.3 Implications

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

- It highlights the importance of factors such as market inefficiency, company goodwill, performance, market information, and quality management in investors' decision-making process.
- The results suggest that companies looking to issue Primary and Secondary Market investing need to focus on building and maintaining a good reputation, strong performance, and providing reliable market information to attract investors.

- The study can be useful for companies, issue managers, regulatory bodies, students, and researchers who are interested in the Primary and Secondary Market investing market.
- It can help these stakeholders to better understand the psychology of primary investors and make more informed decisions about Primary and Secondary Market investing investments.

REFERENCES

Acharya, S. (2022). An empirical study on behavioral factors influencing individual investor's decision making in Nepal stock exchange. *Journal of Financial Management, 3*(1), 54-62.

Ahmad, M. & Wu, Q., (2022). Does hearing behaviour matter in investment management and perceived market efficiency: Evidence from an emerging market. *Journal of Management Decision, 3*(8), 17-37.

Albagli, E., Hellwing, C., & Tsyvinski, A. (2023). Imperfect financial markets and investment inefficiencies. *American Economic Review, 113* (9): 23-54.

Almansour, B.Y., Elkrghli, S. & Almansour, A.Y. (2023). Behavioral finance factors and investment decisions: A mediating role of risk perception, *Cogent Economics & Finance*, *11*(2), 223-242.

Badru, B.O., Ahmad-Zaluki, N.A. & Wan-Hussin, W.N. (2018). Academic directors and IPO initial returns. *International Journal of Business Governance and Ethics*, *13*(1), 33 - 58.

Baru, N. & Fawcett, J. (2006). Initial public offering. *Journal of Finance*, *17*(3), 63-89.

Bhattarai, R. (2004). *Investments: theory and practice*. Kathmandu: Buddha Academic Publishers and Distributors.

Brigham, E.F. & Gapenski, L.C. (1995). *Intermediate financial management.* New York: The Dryden Press.

Certo, T. & Holcomb, T.R. (2009). IPO research in management and entrepreneurship: moving the agenda forward. *Journal of Management*, *35*(6), 1340-1378.

Chetri, R.B. (2022). Decision making behavior of individual stock investors' in Nepal. *The Journal of Nepalese Business Studies, 1*(2), 107-117.

Dangol, J. (2017). Investors' perception on market efficiency in Nepal. *Academic Journal*, *45*(4), 305-316.

Dangol, J. (2012). Stock market efficiency in Nepal. *ZENITH International Journal of Multidisciplinary Research*, *2*(5), 40-48.

Derrien, H. & Kecskes, P. (2017). Two stage mechanism. *The Journal of Business of the University of Chicago, 3*(2), 69-115.

Ediriwickrama, T.C. (2015). Multi factor explanation to IPO long run underperformance anomaly: Sri Lankan evidence. *The International Journal of Accounting and Business Society*. *23*(2), 45-63.

Francis J.K. (1983). *Management of investments*. New York: McGraw Hill.

Gao, S. & Hou, H.C. (2019) An empirical examination of IPO under pricing between high-technology and non-high-technology firms in Taiwan. *Journal of Emerging Market Finance*, *18*(1), 23-51.

Gautam, R.R., & Thapa, K. (2005). *Capital structure management*. Kathmandu: Asmita Books Publishers & Distributors.

Gitaman, L.J. (1998). *Principles of managerial finance.* New York: Harper & Row Publishers, Inc.

Goergen, T. (2015). The strategy of going public: how UK firms choose their listing contracts. *New Business Age*, *3*(2), 69-82.

Gouldey, N. (2016). *IPOs performance and over subscription.* New York: Department of the Reassures.

Gupta, S.C. (1999). *Fundamental of statistics*. New Delhi: Himalayan Publishing House.

Hidayat, C.M. & Muntahanah, S. (2023). The investment decision on generation Z in capital market. *Journal of Management Science (JMAS), 6*(4), 775-782.

Hossain, M.S. & Khan, M.S. (2018). Post IPO operating performance in Bangladesh. *The International Journal of Accounting, 46*(2), 111-137.

Jains, P.C. & Lakshmi, P. (2023). The effect of investment inefficiency on expected returns. *Journal of Emerging Market Finance*, *22*(3), 23-36.

Jiang, Z., Peng, C. & Yan, H. (2024). Personality differences and investment decision-making. *Journal of Financial Economics*, *1*(4), 153-166.

Karki, D., Bhattarai, G., Dahal, R.K. & Sanjel, N. (2024). Investment decisions in initial public offerings and oversubscription perceptions among investors. *Corporate Governance and Organizational Behavior Review*, *8*(1), 105–114.

Khan, F.A. & Choudhury, T.S. (2017). Modeling of IPO under pricing in Bangladesh. *Journal of Emerging Market Finance*, *7*(7), 49-63.

Kong, Q., Li, R., Wang, Z & Peng, D. (2022). Economic policy uncertainty and firm investment decisions: dilemma or opportunity. *International Review of Financial Analysis*, *83*(1), 102-113.

Laili, D.C., Devina, R. Tsabita, K. & Pandin, M.Y. (2022). Capital assets analysis pricing model as a basis for investment decisions investment. *International Journal of Economics and Management Research*, *3*(1), 60-71.

Lam, T.M., Hasell, T.O. & Tipping, M.L. (2024). The relative significance of behavioural finance factors in the investment decisions of Australasian REITs. *Property Management*, *42*(1), 124-139.

Loughran, T. Ritter, J.R. & Rydqvist, K. (2021). Initial public offerings: international insights. *Pacific Basin Finance Journal*, *2*(3), 165-199.

Maglio, R., Petraglia, M.R. & Agliata, F. (2018). IFRS and IPO under pricing: evidence from Italy. *International Journal of Managerial and Financial Accounting*, *10*(3), 181-201.

Maharjan, R. & Bhattacharya, S. (2023). Factors influencing individual's investing decisions in the Nepal's stock market. *LBEF Research Journal of Science, Technology and Management*, *5*(3), 109-128.

Mohammad, E.A. & Salhy, B.B (2023). The economics of behavioral finance and its effects on investment decisions in Kurdistan region of Iraq. *Koya University Journal of Humanities and Social Sciences (KUJHSS)*, *6*(1), 88-94.

Mokni, K., Montasser, G.E., Ajmi, A.N. & Bouri, E. (2024). On the efficiency and its drivers in the crypto currency market: the case of Bitcoin and Ethereum. *Financial Innovation*, *10*(39), 110-139.

Nguyen, T.P., Nguyen, T.A., Tran, M.D., Le, Q.L., & Nguyen, D.N. (2024). Determinants influencing investment decisions of individual investors: The case of the developing economy. *Journal of Governance & Regulation*, *13*(1), 135–146.

Pandey, D.L., Risal, N. & Chauhan, S. (2020). The psychology of investors in Nepalese stock market and investment decisions. *Journal of Wutan Huatan Jisuan Jishu*, *11*(10), 726-739.

Pandey, I.M. (1992). *Financial management*. New Delhi: Vikas Publishing House Pvt. Ltd.

Pandey, P. (2013). *Initial public offering (IPO) practices in Nepal.* An Unpublished Master's Degree Thesis, Public Youth Campus, Kathmandu, T.U.

Paneru, B.P. (2023). Stock market efficiency and factors influencing Nepalese investment decisions. *Open Journal of Business and Management, 11*(6), 166-172.

Paudel, S. (2015). *Investor's response to IPO of financial and non-financial sector in Nepal.* An Unpublished Master's Degree Thesis, Shanker Dev Campus, Kathmandu, T.U.

Pradhan, R.S. (2004). *Financial management*. Kathmandu: Buddha Academic Publisher and Distributor Pvt. Ltd.

Rai, B. (2016). *Public response to initial public offering in Nepal*. An Unpublished Master's Degree Thesis, Shanker Dev Campus, Kathmandu, T.U.

Sari, D.P. & Wita, S.A. (2024). Analysis of factors influencing investment decisions in the capital market: a systematic review of the literature. *Riau International Conference on Economic Business and Accounting (RICEBA) Sustainability and Digitalization of Economic in Society*, *1*(1), 65-78.

Shakya, M. (2021). Behavioral biases of stock investment decisions of Nepalese investors. *Journal of New Business Age, 5*(1), 112-123.

Shrestha, M. (2019). *Public response to primary issue of shares in Nepal.* An Unpublished Master's Degree Thesis, Shanker Dev Campus, Kathmandu, T.U.

Shrestha, M.K. (1980). *Financial management theory and practice*. Kathmandu: Curriculum Development Centre.

Sthapit, A.B., Gautam, H., Joshi, P.R. & Dangol, P.M. (2003). *Statistical method*. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

Suresh, G. (2021). Impact of financial literacy and behavioural biases on investment decision-making. *Journal of FIIB Business Review*, *13*(1), 17-35.

Tamang, S. (2018). *Public response to primary issue of shares in Nepal.* An Unpublished Master's Degree Thesis, Nepal Commerce Campus, Kathmandu, T.U.

Vaidya, R. (2021). Qualitative analysis on investment decisions of Nepalese stock market investors. *Journal of Business and Management Review, 2*(5), 349-365.

Wolf, H.K. & Pant, P.R. (2005). *Social science research and thesis writing.* Kathmandu: Buddha Academic Publisher and Distributors.

Yang, H.F., Yang, Pi-Hua, & Seng, Jia-Lang (2017). Initial public offering and financial news. *Journal of Information and Telecommunication*, *1*(3), 259-272.

APPENDIX

Questionnaire

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

Respondent profile

1) email

2) Name

3) Gender

i) Male

ii) Female

iii) Others

4) Age

i) 18-20

ii) 20-40

iii) 40-60

iv) Above 60

5) Education Level

i) Intermediate

ii) Bachelor Degree

iii) Master Degree

iv) M. Phil/PhD.

6) Occupation

i) Student

ii) Business

iii) Private Employee

iv) Government employee

7) Investment amount in Market

i) 0- 20 lakhs

ii) 20-40 lakhs

iii) 40-60 lakhs

iv) 60-80 lakhs

v) 80 lakhs above

8) Reason for investment in Stock Market

i) Liquidity

ii) Dividend Purpose

iii) Capital Gains

iv) Others

S.N	**Factor**	**Answer**				
		SD	**D**	**N**	**A**	**SA**
A.	**Market Inefficiency**					
MI_1	I believe that stock markets often reflect all available information accurately, or are there frequent discrepancies.					
MI_2	I think market inefficiencies impact the performance of individual investors versus institutional investors.					
MI_3	I considered that the investors can exploit market inefficiencies to achieve above-average returns, or do these opportunities quickly disappear.					

B.	**Quality Management**					
QM_1	I consider that legitimacy of company affects in your investment in stock market.					
QM_2	I consider that founder CEO affects in your investment of stock market.					
QM_3	I consider that human resource value affects in your investment in stock market.					
C.	**Company Goodwill**					
CG_1	I consider that historical background will affect while investing in stock market.					
CG_2	I consider that age of company affects in your investment in stock market.					
CG_3	I consider that current financial position affecting in your investment in stock market.					
D.	**Company Performance**					
CP_1	I consider that dividend premium matter more for your investment in stock market.					
CP_2	I consider that earning per share (EPS) make investors to invest in stock market.					
CP_3	I consider that return on investment (ROI) make investors to invest in stock market.					
E.	**Company Sectors**					
CS_1	I consider that investment in banking sector of stock market is better.					
CS_2	I consider that investment in insurance company of stock market is better.					
CS_3	I consider that investment in hydropower company of stock market is better.					
F.	**Market Information**					
MI_1	I consider that comment on media affects in your investment in					

	stock market.					
MI_2	I consider that future prediction and forecast affect your investment in stock market.					
MI_3	I consider that the past trend of stock market, while investing in stock market.					
G.	**Investment decision**					
ID_1	I conclude that individual invested have more risk in stock market investment.					
ID_2	I consider that stock markets are risk free from of investment.					
ID_3	I consider that stock markets are guaranteed way of making money.					

Thank You

Researcher

Sarmila Giri

MBS

Shanker Dev campus

MARKET INEFFICIENCIES AND INVESTMENT DECISION I...

By: Sarmila Giri

As of: Sep 9, 2024 2:28:33 PM
14,741 words - 90 matches - 5 sources

Similarity Index
9%

Mode: Summary Report

sources:

558 words / 4% - from 14-May-2024 12:00AM
elibrary.tucl.edu.np

496 words / 3% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

155 words / 1% - Crossref
Binod Prasad Paneru. "Stock Market Efficiency and Factors Influencing Nepalese Investment Decisions", Open Journal of Business and Management, 2023

127 words / 1% - from 04-Jan-2024 12:00AM
fastercapital.com

80 words / 1% - Internet from 08-Feb-2014 12:00AM
rvsim.ac.in

paper text:

ABSTRACT Investors seek to grow their wealth by choosing investment avenues that promise optimal returns while minimizing risk. Traditionally, bank fixed deposits were a popular choice; however, the low interest rates currently offered, which often fall below the inflation rate, have led many to seek alternative investment options. Consequently, people are increasingly turning to sectors like industry, trading, services, and banking for better returns. Investments in these sectors can take various forms, including creditor positions, equity stakes, and stock holdings. Investment fundamentally involves sacrificing current consumption for future gains, with the aim of enhancing future wealth. Both the potential returns and risks associated with stock investments are uncertain, as investors must navigate an unpredictable environment. While shares can be riskier compared to fixed- income securities like treasury bills or savings certificates, many investors are drawn to stocks with the hope that their prices will rise over time. To gauge a stock's intrinsic or theoretical value, one can analyze publicly available financial information. However, many investors overlook this crucial step before committing to a stock, potentially missing out on critical insights that could inform their investment decisions. Key Words: Investment decision, market inefficiency,

quality management, company goodwill, company performance, company sectors, market information