

# **FINANCIAL LITERACY ON INVESTMENT DECISION IN NEPALESE SHARE MARKET**

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

**By**

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## **CERTIFICATION OF AUTHORSHIP**

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

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Saraswati Dahal

June 2024

## REPORT OF RESEARCH COMMITTEE

Mrs. Saraswati Dahal has defended research proposal entitled “**FINANCIAL LITERACY ON INVESTMENT DECISION IN NEPALESE SHARE MARKET**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Suman Kamal Parajuli and Dr. Dipak Mahat; submit the thesis for evaluation and viva voce examination.

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We have examined the dissertation entitled “**FINANCIAL LITERACY ON INVESTMENT DECISION IN NEPALESE SHARE MARKET**” presented by Mrs. Saraswati Dahal for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Any remaining errors are mine.

Saraswati Dahal

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## ABBREVIATIONS

ANOVA	:	Analysis of Variance
FA	:	Financial Attitude
FB	:	Financial Behavior
FK	:	Financial Knowledge
FS	:	Financial Skill
ID	:	Investment Decision
NRB	:	Nepal Rastra Bank
PS	:	Personal Saving
S.D	:	Stander Deviation
SDC	:	Shanker Dev campus
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University

## ABSTRACT

The objectives of research is to assess the factors of financial literacy affecting the investment decision in Nepalese share market, to analyze the relationship between financial literacy and investment decision in Nepalese share market and to analyze the impact on financial literacy of investment decision of Nepalese share market. The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The descriptive and casual comparative research design is used. SPSS and Excel are the tools of data analysis. Total investors of the Kathmandu valley are the population of the research and the sample are the 465 as a convenience sampling techniques used. Primary source of data are used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis are excel and SPSS. The finding of the research is that the factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The relationship of financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship of personal saving with investment decision is positive but not significant. The impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not significant.

Keywords: *Financial Knowledge, Financial Behaviors, Financial Skill and Financial Attitude, Personal Saving and Investment Decision*

# CHAPTER- I

## INTRODUCTIONS

### 1.1 Background of the Study

Financial literacy is the ability to understand, evaluate, and communicate information about money and financial services. It involves selecting appropriate financial options, planning for the future, and managing the financial impact of life events (Hastings & Mitchell, 2020). Wisconsin's Model Academic Standards for Personal Financial Literacy provides guidance for educators to develop curricula that teach students essential lifelong financial skills. Educating young people about financial well-being is key to community stability and economic growth in the state (Dangol & Shakya, 2017).

Investors in securities analyze various factors, such as opportunity costs and returns, to make investment decisions. Opportunity costs represent the potential returns from alternative investments, while actual returns are the returns on current investments (Madi & Yusof, 2018). Comparing these factors is essential for deciding whether to invest. Financial literacy, which combines understanding financial products and concepts with the ability to assess risks and opportunities, is crucial for analyzing opportunity costs, returns, and financial statements. It enables informed decision-making and enhances financial well-being (Madi & Yusof, 2018).

Investment decisions involve choosing among various alternatives, with the goal of selecting options that yield higher returns. This process requires deciding how, when, where, and how much capital to allocate, whether individually or within an organization (Bhalla, 1982). Financial literacy empowers investors to make informed choices and achieve satisfactory returns, using fundamental and technical analyses (Mirosea & Hajar, 2023).

The Nepalese share market is rapidly growing, with many new investors participating in Initial Public Offerings. These investors, from diverse backgrounds in terms of age, education, profession, gender, income, and financial knowledge, are active in both primary and secondary markets. The variability in their individual returns highlights the importance of studying financial literacy and investment decisions in the Nepalese share market (Madi & Yusof, 2018).

Financial literacy is vital in shaping investment decisions within the Nepalese share market. Investors who grasp financial concepts like risk management, portfolio diversification, and market analysis are better prepared to make informed choices, thereby increasing their chances of achieving higher returns. In Nepal, where the share market is still evolving, the general population's level of financial literacy greatly impacts market participation and investment behavior. Individuals with limited financial knowledge are more likely to make impulsive or poorly informed decisions, often influenced by market rumors or the lure of short-term gains. In contrast, financially literate investors tend to conduct thorough research, understand market trends, and assess the financial health of companies before investing, which contributes to more stable and sustainable market growth. Therefore, enhancing financial literacy is crucial for developing a stronger and more resilient share market in Nepal. Based on this context, the research focuses on "Financial Literacy on Investment Decisions in the Nepalese Share Market."

## **1.2 Problem Statement**

The investment decision-making process involves carefully selecting the most optimal alternatives based on returns and risks. It includes allocating funds into various assets, such as land, real estate, production businesses, service-oriented businesses, and shares in the stock market, debentures, and derivative markets. Each sector offers a range of alternatives, requiring thorough financial analysis and selection based on risks and returns (Sabir et al., 2021).

To make informed decisions and choose the best alternatives, financial literacy is essential. Without an understanding of financial tools and analytical techniques, decision-making can lack rationality. It is crucial for decisions to be both reasonable and profitable. Several factors influence decision-making, including age, income level, gender, profession, and education (Alaaraj & Bakri, 2020).

In Nepal, the share market is growing in terms of capitalization, investor participation, transaction volume, transaction value, and technological advancements, creating a more investor-friendly environment. As the market expands, the importance of financial literacy among investors becomes even more crucial. Financial knowledge is integral to making informed decisions. In Nepal's share market, questions such as why, how, when, and whether

to invest are common, highlighting the significance of financial literacy in investment decisions. However, researching financial literacy and investment decisions in the Nepalese market presents challenges (Kumari, 2020). This research addresses several problems related to these issues.

- What are the factors of financial literacy on investment decision in Nepalese share market?
- Is there any relationship between financial literacy and investment decision in Nepalese share market?
- What is the impact of financial literacy on investment decision in Nepalese share market?

### **1.3 Objectives of the Study**

The primary goals of the study include understanding the levels of financial literacy on investigating investment decision-making in the Nepalese share market. The specific objectives are outlined below:

- To assess the factors of financial literacy on investment decision in Nepalese share market.
- To examine the relationship between financial literacy and investment decision in Nepalese share market.
- To analyze the impact of financial literacy on investment decision of Nepalese share market.

### **1.4 Hypothesis of the Study**

A hypothesis is a proposed explanation or educated guess for a phenomenon or a set of observations. It serves as a starting point for further investigation and experimentation. A well-constructed hypothesis should be testable and falsifiable, meaning it can be supported or refuted through empirical evidence.

Null Hypothesis

Hypothesis ( $H_0$ ): There is no significant relationship between financial literacy and investment decision in Nepalese share market.

Hypothesis (H<sub>0</sub>): There is no significant impact of financial literacy on investment decision of Nepalese share market.

Alternative Hypothesis

Hypothesis (H<sub>1</sub>): There is a significant relationship between financial literacy and investment decision in Nepalese share market.

Hypothesis (H<sub>1</sub>): There is a significant impact of financial literacy on investment decision of Nepalese share market.

### **1.5 Rationale of the Study**

The rationale for studying the relationship between financial literacy and investment decision-making in the Nepalese share market lies in the critical role financial literacy plays in shaping sound investment decisions. In Nepal, where the financial market is growing but still developing, understanding how financial literacy affects investor behavior is essential. This study aims to fill a gap in the existing literature by providing insights into how well-informed investors are when making investment decisions and how this knowledge impacts overall market performance and individual financial well-being.

Firstly, financial literacy equips investors with the skills and knowledge to evaluate financial products, understand market dynamics, and manage risks effectively. In Nepal, a significant portion of the population remains undereducated about financial matters, which can lead to suboptimal investment decisions. By assessing the current state of financial literacy among investors, the study aims to identify areas where educational interventions can be most impactful. This is particularly relevant as the Nepalese share market continues to grow, attracting a diverse range of investors, including novices who may lack sophisticated financial knowledge.

Secondly, investment decisions are crucial to the economic stability and growth of a country. Informed and rational investment choices contribute to the efficient allocation of resources, fostering economic development. Conversely, poor investment decisions can lead to financial losses for individuals and destabilize the market. This study examines the extent to which financial literacy influences investment strategies and outcomes, providing valuable insights for policymakers and financial educators. Enhancing financial literacy could lead to more

prudent investment behavior, stabilizing the market and promoting sustainable economic growth.

Moreover, understanding the link between financial literacy and investment decision-making is essential for developing targeted financial education programs. These programs can be designed to address specific knowledge gaps and behavioral biases that hinder effective investment practices. For Nepal, tailored financial literacy initiatives could empower a larger segment of the population to participate confidently in the share market, enhancing financial inclusion and economic participation.

Lastly, this study is crucial for financial institutions and market regulators in Nepal. By identifying the levels of financial literacy among investors, these entities can better tailor their services, products, and regulatory frameworks to support informed investment decisions. This alignment can lead to a more transparent, efficient, and investor-friendly market environment, ultimately contributing to the market's growth and stability.

### **1.6 limitations of the Study**

The research is conducted by the researcher. The researcher has done his/her research with the some limitation. The following are the limitation of the research.

- The study is based on primary data and data are collected from the respondent using questionnaire. The accuracy of the data is based on the respondent honesty and responsibility.
- The research is using descriptive research design, so the research only explain the problem details but not answer how to solve the problems.
- Cultural attitudes towards money, investment, and education in Nepal could influence both financial literacy and investment decisions. The study not fully account for these cultural.
- Behavioral biases such as overconfidence, herd behavior, and risk aversion are significant in investment decisions but they are not addressed or measured in the study.

## CHAPTER- II

### LITERATURE REVIEW

The second chapter of the research focuses on the literature review, providing an overview of the perspectives presented by previous researchers on the subject and related topics. This chapter examines the objectives, methodologies, and conclusions of each researcher's work. The literature review is structured into three distinct sections.

Firstly, the conceptual reviews clarify the definitions of key terms used in the study. Next, the researcher presents an empirical review, outlining the publications examined from both national and international perspectives. The final section addresses research gaps, referred to as reviewed gaps, by identifying gaps observed in past, present, and future reviews. This approach contributes to a comprehensive understanding of the existing body of knowledge on the subject.

#### **2.1 Theoretical Review**

Financial literacy and investment decision-making are interconnected topics that examine how individuals comprehend and interact with financial concepts and investments. Here are some key theories and concepts related to these areas:

##### **Financial Literacy**

**Capability Theory:** Focuses on the skills and knowledge individuals need to effectively manage their finances. It emphasizes education and the development of financial competencies to make informed decisions.

##### **Behavioral Finance Perspective:**

Investigates how psychological factors affect financial decision-making, exploring biases, heuristics, and emotions that influence individuals' financial choices.

Financial literacy is the ability to understand, evaluate, and communicate information about money and financial services. This includes making informed financial decisions, planning for the future, and responding to unforeseen events and their potential impact on finances. Wisconsin's Model Academic Standards for Personal Financial Literacy is a valuable resource for teachers developing curricula that equip students with essential life skills.

Empowering young individuals with the knowledge and tools to manage their finances is crucial, as personal financial literacy significantly influences the economic stability of communities and contributes to the overall growth of the state's economy (Rasool & Ullah, 2020).

According to the Organization for Economic Co-operation and Development (2005), financial literacy involves the combination of consumers' and investors' understanding of financial products and concepts, along with their ability and confidence to comprehend financial risks and opportunities. It includes making informed choices, knowing where to seek assistance, and taking effective actions to enhance financial well-being. In this context, financial literacy means understanding financial concepts and their implications for making prudent and practical financial decisions. Managing financial resources effectively and deciding on short-term or long-term investments, while considering changes in the economic landscape, requires the use of financial knowledge, informed decision-making, and an understanding of key financial principles. However, financial literacy is also part of the broader process of consumer awareness and protection (Muizzuddin et al., 2017).

### **Investment Decision-Making**

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

Developed by Harry Markowitz, Modern Portfolio Theory (MPT) posits that investors can create portfolios to optimize expected returns for a given level of market risk, with an emphasis on diversification.

Behavioral Economics combines psychology with economics to study how cognitive biases and emotional factors impact investment decisions, often departing from rational expectations.

### **Financial Literacy and Investment Behavior**

#### **Financial Capability Framework:**

Developed by organizations such as the OECD and World Bank, this framework evaluates financial knowledge, attitudes, and behaviors to measure overall financial literacy and its influence on financial decision-making.

**Heuristic-Systematic Model:** The dual-process theory suggests that individuals use two systems (heuristic vs. systematic) to process information when making decisions, influencing their investment choices based on cognitive effort and biases.

The process of selecting alternatives significantly affects investment decisions. Throughout the investment process, investors encounter numerous options, necessitating the decision to choose one or more alternatives that promise better rewards. This decision-making process is known as investment choice. Whether the investor is an individual or part of a company's management, deciding how, when, where, and how much capital to allocate to investment opportunities is crucial (Bhalla, 1982). Financial literacy emerges as a critical decision-making tool used to guide decisions and achieve satisfactory returns, involving the application of fundamental and technical analysis for making sound investment decisions.

An investment refers to any asset purchased with the expectation that its future value will exceed its current cost and time to value appreciation. This increase in value can result from the asset appreciating over time. Investments encompass items that eventually yield greater value than their initial cost, extending beyond tangible assets to include intangibles like education. In the context of the stock market, investing often involves buying stocks or bonds with the expectation of future value surpassing the initial investment. Real estate is another avenue where investing includes buying a property at a low cost, enhancing its value through renovations, and subsequently renting or selling it at a higher price, all considered forms of investment.

The investment decision involves the choice made by investors or top management regarding the allocation of funds to various opportunities. Capital budgeting, a subset of investment decisions, pertains to allocating funds to long-term assets. It involves selecting an asset or investment proposition that will yield returns over an extended period. The initial step in capital budgeting is choosing the asset, whether new or existing, based on anticipated future benefits. Subsequently, the risk and uncertainty associated with the plan are evaluated, considering that the benefits accrue in the future, leading to higher uncertainty regarding returns. Finally, establishing a minimum rate of return serves as a benchmark against which the long-term project's performance can be assessed (Sabir et al., 2021).

**Financial Knowledge**

Financial knowledge involves grasping essential financial facts and concepts, enabling informed decision-making through problem-solving and critical thinking. It encompasses understanding fundamental principles such as budgeting, saving, investing, credit management, debt management, and retirement planning (Alaaraj & Bakri, 2020).

Budgeting is essential for monitoring income and expenses, ensuring financial stability by living within one's means. Saving entails setting aside funds in secure accounts, while investing seeks to increase wealth through assets such as stocks and bonds, with diversification minimizing risks. Managing credit and debt is crucial for maintaining a good credit score, which includes making timely payments on loans and credit cards (Oteng, 2019).

**Financial Behaviors**

Financial behaviors encompass the ability to recognize and understand the broad impacts of financial actions on individual, familial, societal, and national circumstances. It involves making informed decisions concerning cash management, precautions, and opportunities for budget planning. These behaviors refer to the actions and routines individuals adopt to effectively manage their finances (Abdeldayem, 2016).

Key behaviors include consistent budgeting to monitor and regulate spending, ensuring expenses do not exceed income. Regular saving and investing play crucial roles in building financial security and wealth over time, emphasizing the importance of setting aside funds for both short-term needs and long-term goals such as retirement. Managing credit responsibly entails using credit cards and loans judiciously, making timely payments, and avoiding excessive debt to maintain a healthy credit score. Establishing and maintaining an emergency fund creates a financial safety net for unexpected expenses, reducing reliance on high-interest borrowing during crises (Sabir et al., 2021).

**Financial Skill**

Financial skills encompass the knowledge and abilities necessary for effective management of financial resources. Fields such as accounting, banking, investing, and corporate management require robust financial skills. Key skills include budgeting, financial analysis, problem-solving, risk assessment, and financial planning. Employers place significant value

on finance skills, as they contribute to career advancement and increased earning potential within the finance industry. Through appropriate education and training, individuals can acquire and enhance financial skills, which are beneficial both personally and professionally (Alaaraj & Bakri, 2020).

### **Financial Attitude**

Financial attitude significantly shapes money-related behaviors. For instance, individuals experiencing ongoing challenges in supporting their lifestyle may develop a strong desire for financial security, leading to behaviors such as actively seeking additional income sources or working long hours. Developing a positive outlook on money and adopting strategies to generate and save it are essential for achieving a satisfying life. Financial behaviors can be influenced by factors such as managing personal finances from a young age, having family members in finance-related professions, early exposure to banking services, seeking financial advice, or engaging in ongoing education about financial matters (Kumari, 2020).

### **Personal Saving**

Personal saving refers to the money that remains after deducting an individual's consumer expenditures from their disposable income over a defined period. It represents the funds left over once all bills and financial obligations are met. Saving is a critical financial practice involving the allocation of a portion of one's income towards future needs and objectives. This habit serves as a financial safety net for unexpected expenses, such as medical emergencies or vehicle repairs, and helps avoid reliance on high-interest debt during such circumstances. Effective saving starts with creating a well-defined budget that regularly allocates a specific amount or percentage of income to a savings account. It's important to distinguish between short-term savings, earmarked for immediate needs or emergencies, and long-term savings intended for larger goals like homeownership, education funding, or retirement (Oteng, 2019).

## **2.2 Empirical Review**

### **2.2.1 Review of International Article**

Suresh (2024) investigated the combined impact of financial literacy and behavioral biases on investment decisions. A Likert scale questionnaire was used to gather data, which was analyzed using Structural Equation Modeling (SEM). The findings indicated that heuristic

bias positively correlates with the formation of behavioral biases in decision-making. However, biases such as the framing effect, cognitive illusions, and herd mentality showed negative associations. Investors tend to rely more on heuristic biases rather than other irrational techniques in making investment decisions. Thus, individual financial literacy significantly influences stock market investment decisions.

Anggraeni (2024) explored the challenges posed by financial literacy, overconfidence, and herding behavior on investment decisions among workers in Makassar City, South Sulawesi, Indonesia. The study included 135 respondents surveyed via questionnaires. Statistical analysis using multiple regression indicated that financial literacy has a significant positive impact on investment decisions, while overconfidence and herding behavior also positively influence decision-making. The study revealed a preference among respondents for investing in Rail Assets. Additionally, it found no significant gender differences in financial literacy and overconfidence, though behavioral differences were noted.

Ratnawati et al. (2023) analyzed the effect of financial attitudes on financial well-being and performance, with a focus on the handicraft industry's SMEs exporting from Banyuwangi Regency. Using Structural Equation Modeling (SEM) and quantitative data analysis, they found a direct positive effect of financial attitudes on both financial well-being and performance. Financial well-being was identified as a mediator between financial attitudes and SMEs' financial performance, highlighting its role in improving financial outcomes.

Mirosea and Hajar (2023) explored the impact of financial literacy and behavior on investment decisions among 365 investors from Southeast Sulawesi listed on the Indonesia Stock Exchange. Their study revealed that both financial behavior and literacy significantly influence investment choices. Investment knowledge was identified as a precise indicator of financial literacy, while the behavioral dimension "familiarity" accurately captured financial behavior.

Wijayanto et al. (2023) aimed to uncover relationships between financial literacy, behavioral biases (overconfidence, representativeness, and illusion of control), and irrational behavior in investment decision-making among individual investors in Java. Their study involved 83 respondents selected through purposive sampling. They found a negative impact of financial

literacy on behavioral biases, suggesting a need for improved financial literacy to mitigate irrational behavior.

Mbwambo et al. (2022) investigated how financial literacy influences the savings and investment decisions of government workers in Mwanza, Tanzania. Using a cross-sectional design with 271 participants, they found that both financial attitude and knowledge significantly influenced wise financial decisions, including judgments on investments and savings.

Putri et al. (2022) assessed the impact of financial literacy on investment decisions during the pandemic among students at the Faculty of Economics and Business, Muhammadiyah University of North Sumatra. Their study showed a substantial influence of financial literacy on investment choices, emphasizing the importance of enhancing financial literacy among students for better financial management and increased investment.

Yadav and Seth (2022) studied financial literacy among different economic classes in Delhi and its impact on investment decision-making across various age groups. They used a survey method with probability sampling, presenting findings through tables, charts, and graphs. The study highlighted that investors predominantly seek future security and high profits, with most preferring investment as an investor rather than speculator or hedger in the stock market. Awareness about new financial products and services was identified as crucial, with suggestions for aggressive promotional strategies.

Sabir et al. (2021) explored factors influencing investor behavior in the Pakistan stock market, focusing on the moderating role of financial literacy. Their study, using data from 250 stock investors analyzed with Smart PLS version 2.0 and Partial Least Squares structural equation modeling, highlighted how financial literacy impacts stock market investing intentions and behaviors. The findings underscored the importance of enhancing financial literacy to promote investment in the Pakistan context.

Hastings and Mitchell (2020) investigated competing explanations for consumers' financial decision-making challenges, focusing on financial illiteracy and present-oriented mindsets. Experimental data from Chile supported links between these factors and poor financial decisions, emphasizing the need to improve financial literacy to enhance retirement well-being.

Alaaraj and Bakri (2020) studied the influence of financial literacy on investment decision-making among investors in South Lebanon. Their survey of 150 bank customers through convenience sampling revealed a strong positive correlation between financial literacy and sound investment decisions. Recommendations included increased financial literacy programs by financial institutions and potential integration into educational curricula.

Rasool and Ullah (2020) examined the relationship between financial literacy and behavioral biases among individual investors in Lahore, Pakistan. Their study of 300 investors found that higher financial literacy levels correlated with reduced behavioral biases, suggesting that improving financial literacy could mitigate these biases in investment decisions.

Kumari (2020) investigated the impact of financial literacy on investment decisions among undergraduate students in Sri Lanka's western province. Surveying 200 students from four government universities, the study demonstrated a significant positive effect of financial literacy on students' investment decisions, emphasizing its role in shaping financial choices.

Hamza and Arif (2019) explored the impact of financial literacy on investment decisions in Karachi, considering the mediating effect of personality traits from the Big Five model. Their survey of 235 respondents found that neuroticism positively influenced financial literacy's impact on investing choices, while openness to experience had a negative effect, highlighting the complex interplay between personality and financial decision-making.

Oteng (2019) examined financial literacy and investment decisions among traders in the Techiman Municipality. With 150 participants using convenience sampling, the study revealed a significant positive correlation between financial literacy and investment decisions. Recommendations included more financial literacy programs by financial institutions and integration into educational curricula by governments.

Anwar, Khan, and Rehman (2017) investigated the impact of financial literacy and behavioral biases on investor portfolio diversification in the Pakistan Stock Market. Their study of 181 investors found that while familiarity and availability biases had insignificant effects, overconfidence bias negatively influenced portfolio diversification. Financial literacy showed a negligible positive effect, highlighting the need for improved investor education.

Abdeldayem (2016) evaluated financial literacy among individual investors in Bahrain and its link to investment decisions. Surveying 228 investors, the study revealed low financial literacy rates, especially among women, and a strong connection between education and financial literacy levels. The study recommended implementing financial literacy programs to enhance knowledge among investors.

Hayat and Anwar (2016) studied the impact of disposition effect, overconfidence, and herding biases on investment decisions. Their research found significant positive effects of these biases on investment decisions, moderated by financial knowledge. The study suggested educational initiatives to mitigate biases and promote informed decision-making among investors.

Table 1

*Summary of Empirical Review*

Author / Date	Title	Objectives	Methodology	Findings
Suresh / (2024)	Impact of financial literacy and behavioral biases on investment decision-making.	To examine the combined impact of financial literacy and behavioral biases on investment decisions.	A Likert scaling technique was employed to construct a questionnaire aimed at capturing variables, and collected data underwent analysis using Structural Equation Modeling (SEM) techniques.	The findings indicated that heuristic bias was strongly linked to the development of behavioral biases in decision-making. In contrast, the framing effect, cognitive illusions, and herd mentality were found to have adverse associations with the formation of these biases. Additionally, investors frequently relied on heuristic biases over other irrational methods when making their investment

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				decisions.
Anggraeni (2024)	The Impact of Financial Literacy and Behavioral Bias on Investment Decisions.	To prove the challenges of Financial Literacy, Overconfidence and Herding Behavior to Investment Decisions.	In this study, statistical analysis was conducted using multiple regression. The model's effectiveness was assessed by examining the R-squared value for the dependent variable and conducting T-tests to evaluate the significance of parameter coefficients along the structural paths.	The findings indicated that financial literacy positively influenced investment decisions, while overconfidence and herding behavior also significantly impacted investment decision-making positively. The study further revealed a preference among respondents for investing in Rail Assets. Moreover, researchers found no discernible difference in financial literacy between male and female respondents.
Ratna wati et al./ (2023)	Financial attitude and financial performance of export MSMEs: Financial well-being as a mediating.	To analyze the effect of financial attitudes on financial well-being and financial performance moreover, it analyses financial well-	The samples were selected through saturation and census sampling methods. The data were then analyzed using Structural Equation Modeling (SEM).	They describe that financial attitudes directly influence both financial well-being and financial performance. Moreover, financial well-being acts as a mediator, influencing the impact of financial attitudes on financial performance.

being to mediate the effect of financial attitudes on MSME financial performance.

- Mirose and Hajar / (2023) Effect of Financial Literacy and Behaviour on Investment Decisions (Study on Southeast Sulawesi investors). To examine the effect of financial literacy and financial behavior On investment decisions. This research involved 365 investors who are listed representatives on the Indonesia Stock Exchange from Southeast Sulawesi. The researchers discovered that financial literacy and financial behavior significantly influence investment decisions. Particularly, they highlighted that investment knowledge was the most prominent indicator of strong financial literacy.
- Wijaya nto, Ridloa h, Abipra yu, Perma na and Rafind a / (2023) Financial Literacy and Behavioral Bias of Individual Investors: Empirical Research in Indonesia. To identify Financial literacy relationships and behavioral biases (overconfidence, representatives and illusion of control) which In their study, the researchers focused on individual investors located on Java. They selected a sample size of 83 respondents using purposive sampling methodology. The respondents The researchers concluded that higher levels of financial literacy correlate with reduced behavioral biases among individual investors, indicating a more objective approach to investment decision-making.

) can lead to questionnaire, and the irrational collected data behavior in underwent validity investment and reliability tests to decision ensure its accuracy making. and consistency.

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 investment interpretation. trading remains limited

decision making process of different age groups.

among investors, while they demonstrate familiarity with traditional investments such as bank deposits, insurance, and real estate. Moreover, investors are willing to accept high risks in exchange for potentially high returns.

- Putri, Umi, Kalsum, Widya, And Justian ti/ (2021)
- The Influence of Financial Literacy on Investment Decisions during the Pandemic.
- To determine the effect of financial literacy on investment decisions during the pandemic.
- They employed simple regression on confirming the validity of classical assumptions through prior testing.
- They recognized a significant influence of financial literacy on investment decisions.
- Sabir, Javed, Khan, and Javed/ (2021)
- Investment Behaviour of Individual Investors of Pakistan Stock Market with Moderating Role of Financial Literacy.
- To examine the determinants of investors' behavior in the Pakistan stock market with the moderating role of financial literacy.
- They employed quantitative methods to test their hypotheses. Data collection utilized a survey approach with self-administered questionnaires.
- They found that financial literacy played a significant moderating role in the relationship between investment intention and investment behavior among individual investors in the stock market.

## Literacy.

- Kumar  
i  
/(2020  
)
- The Impact of Financial Literacy on Investment Decisions: With Special Reference to Undergraduates in Western Province, Sri Lanka.
- To examine the impact of financial literacy investing decisions among undergraduates in the western province in Sri Lanka.
- 200 students from four government universities in the western province of Sri Lanka were involved in this study.
- He discovered that financial literacy had a positive and significant impact on the investment decisions of undergraduates.
- Alaara  
j and  
Bakri/  
(2020)
- The effect of financial literacy on investment decision making in Southern Lebanon.
- This study examines the effect of financial Literacy on investment decision making among investors in South Lebanon
- They employed a quantitative approach, gathering 150 self-administered questionnaires, and utilized descriptive statistics to summarize the data. They tested their hypotheses using Pearson correlation and multiple regression analysis.
- They discovered a significant positive relationship between financial literacy and investment decision-making.

Rasool and Ullah/ (2020)	Financial literacy and behavioral biases of individual investors: empirical evidence of Pakistan stock exchange.	To determine the relationship between financial literacy and behavioral biases of individual investors in Pakistan.	They employed Cranach's Alpha and Exploratory Factor Analysis (EFA) for reliability and validity testing. The research hypothesis was assessed using Pearson's Chi-square and Ordinal Regression Analysis.	They noted an inverse relationship between financial literacy and behavioral biases among individual investors. In simpler terms, higher levels of financial literacy were associated with reduced likelihood of investors experiencing behavioral biases.
Oteng / (2019 )	Financial literacy and investment decisions among traders in the Techiman municipality.	This study was to explore financial literacy and investment decisions among traders in the Techiman Municipality.	Convenience sampling was used in the study, and a questionnaire served as the primary data collection method.	The study revealed a robust correlation between financial literacy and investment choices.
Hamza and Arif/ (2019)	Impact of financial literacy on investment decisions: The mediating effect of big-five personality	Examines the impact of financial literacy on investment decisions with the mediating effect of personality traits based on	235 responses from Karachi were gathered through convenience sampling.	They found that financial literacy negatively impacts investment decisions through openness to experience, while simultaneously positively influencing them through neuroticism.

	traits model.	the big-five model.		
Aggarwal/ (2019)	Financial literacy and investment decisions.	To better understand financial literacy and its relation to financial decision making and investments in financial market	Questionnaires were utilized to assess numeracy skills and fundamental knowledge.	He discovered that financial literacy influences decision-making.
Anwar , Khan and Rehman (2017)	Financial literacy, behavioral biases and investor's portfolio diversification: empirical study of an emerging stock market.	To check the impact of financial literacy and behavioral biases on investor's portfolio diversification	They gathered data via questionnaires from a sample of 181 investors participating in the Pakistan Stock Market.	Their research findings indicated that financial literacy has a slight but positive effect on investor portfolio diversification. At the same time, behavioral biases such as familiarity and availability biases showed minimal and negative influences.
Abdel daye (2016)	Is there a relationship between financial literacy and	To examine the relationship between financial literacy and	The study utilized 228 questionnaire surveys, and the data were analyzed using Pearson correlation,	He discovered that the level of financial literacy among Bahraini investors is notably low at 38.6%, falling significantly short

	investment decisions in the Kingdom of Bahrain?	investment decisions in the Kingdom of Bahrain?	t-test, and Chi-square tests.	of the required level.
Hayat and Anwar / (2016 )	Impact of behavioral biases on investment decision; moderating role of financial literacy.	To check the influence of behavioral biases in investment decision making with moderating role of financial literacy in Pakistan.	They utilized a straightforward survey questionnaire to gather data.	They discovered that financial literacy plays a negative moderating role in herding bias and a positive moderating role in overconfidence bias in investment decisions.

### 2.2.2 Review of Article in Nepalese Context

Rekha and Sridevi (2024) investigated investors' confidence and the amount of stock market investment. They used a questionnaire-based method, employing descriptive research and convenience sampling. Section 1 of the questionnaire collected demographic information, including age, gender, education, occupation, income, financial expenses, and investment preferences. Section 2 covered stock market investing duration, heuristics, prospect theory, emotions, market impact, herding, and investment decisions. Among the 120 respondents, 41% were men, and 59% were women. Secondary data was also gathered online.

Karki et al. (2024) addressed the lack of research policies concerning IPOs, aiming to explore IPO investment dynamics and over-subscription perceptions among Nepalese investors. Using a quantitative design, the study surveyed 150 respondents with a questionnaire. The theoretical framework included firm-specific and general factors, showing that corporate

profile, financial position, IPO size, short-term returns, market rumors, goodwill, and sector performance significantly affect IPO investment decisions. Investors prioritized corporate profile, financial position, and short-term returns.

Manandhar (2023) studied factors influencing mutual fund investment decisions using Modern Portfolio Theory and Prospect Theory. Independent variables included financial status, risk-taking behavior, investment revenue, past fund performance, and sources of investment revenue, while the dependent variable was investment decisions in mutual funds. The structured questionnaire survey involved 384 participants, with statistical methods like mean, median, mode, standard deviation, variance, correlation, and regression analysis. Results highlighted significant influences from financial status, risk-taking behavior, investment revenue, past performance, and sources of investment revenue, with positive correlations observed.

Pantha (2023) examined the impact of financial literacy on personal financial planning in Nepal, considering financial literacy, awareness, attitude, confidence, and socialization as independent factors, with personal financial planning as the dependent variable. Data from 192 respondents were analyzed using regression models and correlation coefficients, indicating that basic financial understanding positively affects personal financial planning, suggesting that improved financial literacy enhances personal financial planning.

Pastor et al. (2022) investigated the factors influencing saving and investment behavior among young professionals. Using chi-square and regression analysis, the study identified socio-demographic factors like age, gender, and educational attainment as influencing factors. Economic variables such as salary levels also impacted saving habits, while financial knowledge played a significant role in both saving and investing behaviors. The research underscored the varied financial behaviors among young professionals and highlighted the positive effects of saving and investing on their overall quality of life.

Vaidya (2021) explored Nepalese investors' experiences in the secondary market, focusing on their decision-making processes. Grounded theory was applied, utilizing data from semi-structured interviews with investors possessing a management academic background. The study revealed investors' keen interest in investing, mixed perceptions regarding macroeconomic influences, and concerns regarding the fundamental attributes of listed

companies. Technical analysis and market trends were identified as crucial factors influencing trading decisions.

Thapa and Raju (2020) examined the financial literacy levels among Nepalese stock market investors through a descriptive research approach involving 83 respondents from the Kathmandu Valley. The study highlighted a low level of financial literacy among Nepalese investors, with demographic factors having minimal impact on financial decision-making.

Filippini et al. (2020) addressed energy-related financial literacy in Nepal's eastern lowlands, linking it with attitudes toward replacing energy-inefficient appliances. The study identified inadequate financial and energy literacy, with better literacy associated with more informed perspectives on appliance replacement. The research emphasized the importance of closing the energy efficiency gap through improved financial literacy.

Shrestha (2019) analyzed the influence of overconfidence bias on individual investment decisions. Using descriptive statistics and analytical methods, the study collected data through a questionnaire survey, revealing that specific demographic groups, such as educated women and individuals with higher net worth, demonstrated overconfidence. These investors tended to engage in more trading activities and held strong beliefs in their superior investment abilities.

Oli (2018) studied the impact of financial literacy on personal financial planning in Nepal, focusing on cash management, insurance, investments, and retirement planning. Based on data from 700 Nepalese individuals, the research indicated that both financial literacy and attitudes significantly influenced personal financial planning, with demographic factors showing minimal or insignificant effects.

Joshi (2018) analyzed the growth of the Nepalese securities market from FY 2005/06 to FY 2016/17, investigating factors such as recommendations from experts, personal financial needs, accounting information, company reputation, and neutral information. Combining primary and secondary data, the study revealed irregular patterns in the Nepalese capital market. Investors primarily considered a company's industry position and shareholder opinions when making investment decisions.

Dangol and Shakya (2017) explored the investment patterns of financially literate individuals in Nepal, finding that financial literacy increased with higher income and education levels. The research identified distinct investment behaviors between individuals with high and low levels of financial literacy.

Chaulagain (2017) investigated the financial behavior of small borrowers, discovering a significant correlation between financial literacy and financial attitudes and behaviors among this group.

Thapa (2015) examined the level of financial literacy among Nepalese students, revealing a basic understanding of financial concepts among college students. The study highlighted demographic, educational, and personality factors influencing financial literacy, with parental influence positively impacting students' attitudes toward saving.

Table 2

*Summary of Literature in Nepalese Context*

Author/ years	Title	Objectives	Methodology	Findings
Rekha and Sridevi (2024)	The Influence of Behavioral Finance Decisions on Stock Market Investments.	To determine investors' confidence and amount of stock market investment.	For this research, data was gathered through the administration of a questionnaire, employing descriptive research methods and convenience sampling techniques.	The study focused on variables such as the duration of stock market investments, heuristic decision-making processes, prospect theory considerations, emotional influences, market impacts, herding behaviors, and investment decisions.
Karki et al. (2024)	Investment decisions in initial public	To address the critical issue of inadequate	The study utilized a quantitative	Investors give preference to the corporate profile,

offerings and research over-subscription perceptions among investors. research policies in the context of growing interest in initial public offerings (IPOs). research approach and distributed questionnaire to 150 participants. It applied a theoretical framework encompassing both specific factors related to firms and broader general factors. The results indicated that these factors significantly influence the outcomes studied. financial position, and short-term returns when making decisions about investing in Initial Offerings (IPOs).

Manandhar/ (2023) Factors Influencing Investment Decisions Mutual Funds In Nepal. To investigate the factors influencing investment decisions in mutual funds, utilizing Modern Portfolio Theory and Prospect Theory. They employed a structured questionnaire survey to gather primary data, distributed among 384 participants, representing the study's sample size. The He found a positive correlation between financial status, risk-taking behavior, investment revenue, past fund performance, and sources of investment revenue with decisions to invest in mutual funds. Additionally, financial

			Theory.	research design encompassed descriptive, correlational, and causal methodologies.	status, risk-taking behavior, past fund performance, and sources of investment revenue were identified as influential factors affecting mutual fund investment decisions.
Pantha/ (2023)	Influence of financial literacy on personal financial planning in Nepal.	of impact on financial literacy personal financial planning in Nepal.	To explore the impact of financial literacy on personal financial planning in Nepal.	The main data source involved gathering respondents' opinions on financial literacy, confidence, and financial planning. The study relied on primary data from 192 participants. A structured questionnaire was employed to fulfill the study's objectives.	He discovered that greater financial knowledge positively influences personal financial planning, indicating that a deeper understanding of financial concepts leads to better planning. The study also indicated that increased financial awareness correlates positively with improved personal financial planning.
Pastor, Almazan, Flores,	Factors Affecting Behavior	To investigate the factors of affecting	To investigate the factors of affecting	This study employed chi-square and	The results suggest that factors such as age, gender, and

Lopez, Maralit and Melo / (2022)	Young Professionals towards Savings and Investment.	young professionals' saving and investment behavior.	regression analysis methodologies to analyze the collected data.	educational attainment play a role in influencing the savings and investment behavior of young professionals.
Vaidya / (2021)	Qualitative Analysis on Investment Decisions of Nepalese Stock Market Investors.	To delve into the experience of Nepalese investors in the secondary market, exploring their investment decision-making process.	Data was gathered through semi-structured interviews conducted with stock market investors who possessed a management academic background.	The study uncovered that investors are keen to engage in the stock market and seek enhanced trading experiences on the NEPSE floor. It also highlighted varied opinions regarding the understanding of macroeconomic factors and their impact on investment decisions.
Shrestha / (2019)	Energy-related financial literacy and bounded rationality in appliance replacement attitudes: evidence from Nepal.	To analyzed the impact of overconfidence bias on individual investment decisions.	This research utilizes descriptive statistics and an analytical approach to investigate how investors' behavior influences their investment	This research indicates that female investors, those with a college education, and individuals with a net worth between Rs 2 to 5 million exhibit confidence in their own capabilities.

- decisions. Data for the study was collected via a questionnaire survey.
- Oli / (2018) The influence of financial literacy on a personal financial planning: A case of Nepal. To analyze the impact of overconfidence bias on individual investment decisions. Primary data for this study was collected from 700 individuals across Nepal's seven provinces using a structured set of closed-ended questionnaires. The results suggest that financial literacy and individual attitudes toward financial planning play significant roles in influencing personal financial planning. However, demographic variables such as marital status, education level, income, age, occupation, and gender have minimal and statistically insignificant effects.
- Joshi / (2018) An Analysis of Security Market Growth and Individuals' Investment Decision. To analyze the growth of the Nepalese security market. Data are collected both from primary as well as secondary sources. The results show that the Nepalese capital market displayed an erratic pattern over the study period. This implies that the market is underdeveloped and that investors are not incentivized to invest

Dangol & Shakya / (2017)	Investment pattern of financially literate persons in Nepal.	To explore the investment pattern of financially literate individuals in Nepal.	The ANOVA and logistic regression they used.	in companies. The findings indicate that investors generally have a higher degree of financial literacy. In particular, male participants, investors aged 20-30, and those with an income of Rs 50,001 or more showed higher financial literacy scores. Additionally, financial literacy improved with higher education and income levels.
Chaulagain/ (2017)	Financial Literacy of Employees in Ilam Municipality.	To investigate the financial behavior of small borrowers.	Data for this study were collected through a survey of small borrowers associated with two cooperatives licensed by Nepal Rastra Bank, and the analysis was conducted using the chi-square	He found a strong link between the financial literacy of small borrowers and their financial attitudes and behaviors.

Thapa/ (2015)	Financial literacy in Nepal: A survey analysis from college students	To examine financial literacy among Nepalese students, revealing a basic understanding of finances among college students.	test. Mean, ANOVA and logistic regression were used in carrying out analysis.	The research identified income, age, field of education, type of college, and students' attitudes as factors affecting financial knowledge. Moreover, the study concluded that financial knowledge is not influenced by gender, university affiliation, financial behavior, or external influences.
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### 2.3 Research Gap

This research used causal comparative methods for data analysis to uncover relevant facts and figures. Descriptive statistics, correlation, and regression analyses were conducted. The independent variables included financial knowledge, financial behavior, financial skill, financial attitude, and personal savings, while the dependent variable was the investment decision. The study surveyed 465 respondents. In contrast, Thapa and Raju (2020) examined the financial literacy of Nepalese stock market investors using a descriptive research approach with 83 respondents from the Kathmandu Valley, focusing on demographic factors. This research is more generalizable due to its larger sample size.

Unlike this study, Hamza and Arif (2019) investigated the impact of financial literacy on investment decisions, considering the mediating effect of personality traits based on the Big Five model.

For future research, it is recommended to use a sample size larger than 465 or even the entire population under study. Exploring alternative methods beyond panel data analysis and

incorporating secondary data may enhance the research objectives. Future studies should be prepared to invest more time and resources compared to the current study.

## CHAPTER-III

### RESEARCH METHODOLOGY

The research methodology provides a structured approach to solving a problem through systematic and planned processes that involve the collection, analysis, and interpretation of data. It includes the plan, structure, and strategy used in investigations to address research questions or test hypotheses. This chapter on research methodology covers elements such as research design, data sources, population and sample, and methods and tools for data analysis. The main components of the research methodology for this study are outlined below.

#### 3.1 Research Design

The research has concentrated on a diverse range of variables and factors related to microfinance services, employing both descriptive and causal comparative research designs. Comparative data are included to enhance the informativeness of the report. Financial and statistical tools are used for the analysis and interpretation of financial information. The descriptive nature of the study is evident as it aims to depict financial literacy and investment decisions among investors in the Nepalese share market.

#### 3.2 Population and Sample and Sampling Technique

In June 2024, the cumulative number of Demat account holders in Nepal has reached 62.82 lakhs, according to NEPSE. The entire population under study comprises all Demat account holders who have invested in both the primary and secondary markets of shares in Nepal. From this population, 465 respondents who are investors in the share market and data was gathered through the use of a questionnaire.

By the formula

Calculate the sample size for a population of 6282000 (source: *NEPSE*). Take confidence level as 95% and margin of error as 5%.

Given:  $Z = 1.960$ ,  $P = 0.5$ ,  $M = 0.05$

$$S = Z^2 \times P \times (1-P) / M^2$$

$$S = (1.960)^2 \times 0.5 \times (1-0.5)0.05^2$$

$$= 3.8416 \times 0.25 / 0.0025$$

$$S = 384.16$$

In the case of finite population i.e. 62.82 lakh, sample size is

Find: Adjusted sample size.

Given:  $Z = 1.960$ ,  $P = 0.5$ ,  $M = 0.05$

Using sample size formula for adjusted sample size,

$$\text{Adjusted Sample Size} = \frac{S}{1 + \frac{(S-1)}{\text{population}}}$$

$$\text{Population} = \frac{(384.16)}{1 + \frac{(384.16-1)}{6282000}}$$

$$\text{Population} = 384.14$$

So the research has minimum population size is 384. So the study has 465 sample size which is more than the required minimum sample size.

### 3.3 Nature and Source of Data and Instrument of Data Collection

In this section, the researcher explains the nature and sources of data. Data can be categorized into two types: primary and secondary. Various sources are available for different research tasks, including broadcast sources such as articles, annual reports, newspapers, tax reports, government policies, and books, as well as unbroadcast sources like internal organizational documents, minutes, and vouchers. For this research, primary data were utilized to achieve the research objectives.

The term "instrument" refers to the tools used for data collection. Various instruments, such as questionnaires, laboratory experiments, quasi-experiments, observations, interviews, and scales, are used for collecting primary data. Secondary data, on the other hand, were obtained from the websites of relevant banks and their published annual reports. Economic reports from the Nepal Rastra Bank (Banking and Financial Statistics) and other published statistical data were also used. Additionally, informal discussions and procedures were employed to gather further information. In this research, the chosen instrument for data collection is a

questionnaire, which includes a series of questions and demographic features of the respondents.

### 3.4 Methods of Analysis

To fulfill the study's objectives, a variety of statistical tools have been employed. These include descriptive statistics, correlation analysis, and multiple regression analysis. The data analysis is conducted based on the patterns observed in the available data.

#### 3.4.1 Statistical Analysis

##### Mean ( $\bar{X}$ )

The mean, in statistics, represents the average or the arithmetic average of a set of numbers. It serves as a measure of central tendency within a probability distribution, alongside the median and mode. Additionally, it is commonly referred to as the expected value.

##### Standard Deviation ( $\sigma$ ):

Standard deviation serves as a metric to quantify the extent of variation or dispersion within a set of values. Computed as the square root of variance, it involves assessing each data point's deviation from the mean (Acharya et al. 2018). It is denoted by ( $\sigma$ ).

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

Where,

X=variables

$\bar{X}$  = mean

N= No. of Period

##### Minimum and Maximum

The minimum in the research context represents the smallest frequency value, while the maximum refers to the highest frequency value in the distribution. This measurement aids in understanding the range of frequency differences within the research values.

##### Correlation Analysis (r):

It is the simplest of ascertaining the correlation between two variables. It is not influenced by the size of the extreme items. Karl Pearson coefficient of correlation is usually denoted by 'r'.

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

Where,

N = number of X and Y

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

$\sum X$  = Sum of the series X

$\sum Y$  = Sum of the series Y

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

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

Acharya et al. (2018) describe correlation analysis as a statistical tool used to determine the direction and strength of the relationship between two sets of variables. It shows how two variables co-vary and quantifies the degree of association between them. The Pearson correlation coefficient is used to describe this relationship, with values ranging from -1 to +1. A value of -1 indicates a perfect negative correlation, meaning the two variables move exactly in opposite directions. Conversely, a correlation coefficient of +1 indicates a perfect positive relationship, meaning the variables move together in the same direction.

### **Multiple Regression Analysis**

Multiple regression analysis is a statistical technique used to investigate the relationship between a single dependent variable and several independent variables. Its main objective is to predict changes in the dependent variable based on changes in the independent variables. This method evaluates how well multiple predictors can forecast outcomes. Additionally, the coefficient of determination measures the proportion of variability in the dependent variable that can be explained by the regression model. The multiple regression equation can be formulated as:

Model

$$ID = \alpha + \beta_1 \times FK + \beta_2 \times FB + \beta_3 \times FS + \beta_4 \times FA + \beta_5 \times PS + e$$

Where,

ID= Investment Decision

FK= Financial Knowledge

FB= Financial Behavior

FS= Financial Skill

FA= Financial Attitude

PS= Personal Saving

### 3.5. Reliability Analysis

In this situation, reliability is assessed using Cronbach's alpha formula, specifically designed for evaluating the consistency of Likert scale surveys comprising multiple questions. The criteria for interpreting the alpha Likert scale are outlined below:

Table 3

#### *Reliability Statistics*

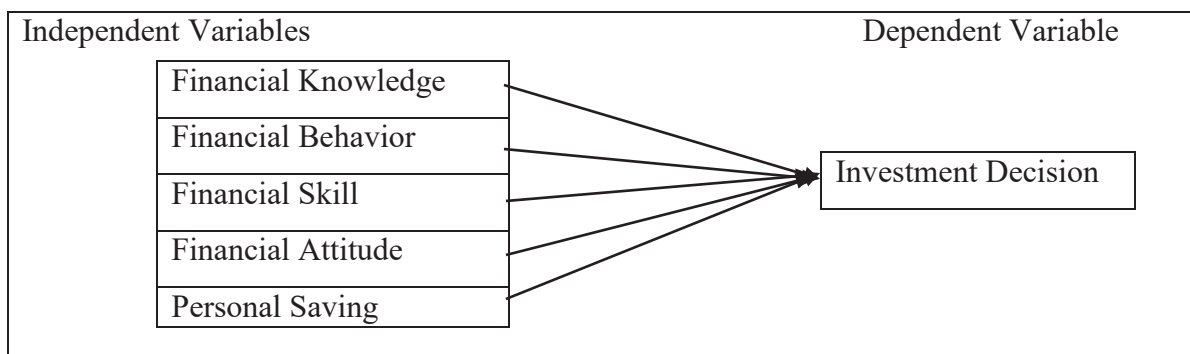
Variables	Cronbach's Alpha	N of Items	Internal Consistency
Investment Decision	0.929	6	Excellent
Financial Knowledge	0.82	5	Acceptable
Financial Behaviors	0.635	5	Questionable
Financial Skill	0.776	5	Acceptable
Financial Attitude	0.767	5	Acceptable
Personal Saving	0.682	5	Questionable

Source: *Field Survey-2024*

Table 3 demonstrates that the total number of variables on the Likert scale are at a questionable level. Therefore, the research's questions are highly pertinent, and the analysis based on the information gathered from the questionnaire is trustworthy for the study. The question is above a good level for all of the variables.

### 3.5 Research Framework and Definitions of Variables

To simplify the presentation of the research, the variables are abbreviated as follows. This is illustrated in the figure below.



Sources: *Hamza & Arif (2019)*

*Figure 1: Conceptual Framework*

### **Definitions of Variables**

#### **Dependent Variable**

##### **Investment Decision**

Investment decision-making is closely linked to the selection of alternatives. When making investment decisions, investors are presented with numerous options, and the process involves selecting one or more alternatives that promise higher returns. This process is commonly referred to as investment decision-making. Whether individuals or managers overseeing an organization, investors must determine how, when, where, and how much capital to allocate across different opportunities (Bhalla, 1982). Financial literacy plays a pivotal role in this context, enabling investors to make informed decisions and achieve desirable returns. Both fundamental and technical analyses are utilized as decision-making tools to support well-informed investment choices.

#### **Independent Variables**

##### **Financial Knowledge**

Understanding financial concepts and possessing decision-making skills are crucial for individuals to make informed financial choices. This includes applying problem-solving capabilities, critical thinking, and a deep grasp of fundamental financial principles and information.

##### **Financial Behaviors**

Financial literacy entails understanding and comprehending the broader impacts of financial decisions on personal, familial, community, and national circumstances. It encompasses

making prudent choices regarding money management, taking precautions, and recognizing opportunities for effective budgeting.

### **Financial Skill**

Finance skills encompass the competencies and knowledge necessary to effectively oversee financial resources. These skills are essential across diverse industries such as accounting, banking, investment, and business management. Key finance skills include budgeting, financial analysis, problem-solving, risk assessment, financial planning, and others. Individuals aiming for a career in finance should acknowledge that these skills are highly prized by employers, contributing to career progression and enhanced earning prospects. With suitable training and development, individuals can acquire and polish their finance skills, becoming invaluable assets in both personal and professional contexts.

### **Financial Attitude**

Financial behavior is shaped by one's financial mindset, which refers to the consistent outlook an individual adopts and maintains, influencing their decisions and actions. For example, someone who has grown up witnessing their parents constantly struggling to meet financial obligations and maintain a certain lifestyle may perceive money as a scarce resource. This perspective might lead them to constantly worry about earning more to avoid financial constraints. As a result, they may actively pursue opportunities to increase their income, whether through strategic methods or by working longer hours. This underlying belief that having a substantial amount of money is crucial for a good life drives their behavior towards actively seeking ways to earn and save money.

Similarly, various factors can influence an individual's financial behavior, such as managing significant amounts of pocket money, having close ties to the financial industry, early exposure to banking operations, seeking advice willingly, or a general curiosity to expand financial knowledge.

### **Personal Saving**

Savings is the amount of money that remains for an individual or household after deducting consumer spending from their disposable income during a specified time period. In essence, savings signify a net surplus of funds after covering all expenses and obligations.

## CHAPTER-IV

### RESULTS AND DISCUSSION

The results derived from the data analysis are presented to make the study's objectives easily accessible. The data have been analyzed according to the research methodology detailed in the third chapter to ensure accuracy. This chapter aims to familiarize readers with the process of data analysis and interpretation. The presentation is structured systematically, based on the range of tools and techniques used to identify connections and significance between the data and the objectives. It includes an examination of primary data and its findings.

#### 4.1 Result

##### 4.1.1 Demographic Characteristics

This section included the general information of the respondent, including the information of their education, organization etc.

Table 4

*Demographic Variables*

Variables	Detail	Frequency	Percent
Age	Between 18-25	78	16.8
	Between 26-45	134	28.8
	Between 46-55	131	28.2
	Above 56	122	26.2
Total		465	100.0
Gender	Male	139	29.9
	Female	326	70.1
Total		465	100.0
Education	Below SLC	95	20.4
	Having SLC	156	33.5
	Intermediate	89	19.1
	Bachelor And Above Degree	125	26.9
Total		465	100.0

Profession	Student	60	12.9
	Banker	105	22.6
	Employees	115	24.7
	Business Person	185	39.8
Total		465	100.0
Income Level	monthly up to 15000	112	24.1
	15000-20000 in a month	175	37.6
	20001-50000 a month	45	9.7
	monthly earning more than 50000	133	28.6
Total		465	100.0

Source: *Field Survey-2024*

Table 4 shows the different demographical variables related detail. The detail related to the age is between; 18-25 are 78 out of 465 respondent in number and 16.8 percent out of hundred. The age “between” 26-45 are 134 out of 465 respondent in number and 28.8 percent out of hundred. The age “between” 46-55 are 131 out of 465 respondent in number and 28.2 percent out of hundred. The age above 56 are 122 out of 465 respondent in number and 26.2 percent out of hundred. The detail of Gender of respondent is about male and female two types of the respondent. The male respondent is 139 in number and 29.9 percent out of 100 percent. The female respondents are 326 in number and 70.1 percent out of 100 percent. All show the education of the respondent they are different education group. They are below SLC, Having SLC, Intermediate and bachelor and above degree. Below SLC are 95 in number and they are 20.4 percent. Having SLC are 156 in number and they are 33.5 percent. Education intermediates are 89 in number and they are 19.1 percent. Education bachelor and above degree are 125 in number and they are 26.9 percent. Here shows the income level of the respondent. The income level of the respondent are monthly up to 15000 are 112 in number and 24.1 in percent out of 465 in number. The income level of the respondent is monthly 15000-20000 are 175 in number and 37.6 in percent out of 465 in number. The income level of the respondent is monthly 20001-50000 are 45 in number and 9.7 in percent out of 465 in number. The income level of the respondent is monthly earning more than 50000 are 133 in number and 28.6 in percent out of 465 in number. Table also shows the profession of the respondent. The profession of the respondent is student group having 60 in

number and in percent they are 12.9. The profession of the respondent is bankers group having 105 in number and in percent they are 22.6. The profession of the respondent is employees group having 115 in number and in percent they are 24.7. The profession of the Business Person group having 185 in number and in percent they are 39.8.

#### 4.1.2 Descriptive Statistics

Descriptive statistics are statistical techniques utilized to quantify various variables, including measures like mean, median, minimum, maximum, standard deviation, and more. These methods provide valuable insights into both dependent and independent variables analyzed in the study.

Table 5

##### *Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decision	465	4.00	5.00	4.95	.168
Financial Knowledge	465	4.60	5.00	4.89	.169
Financial Behaviors	465	4.40	5.00	4.88	.187
Financial Skill	465	4.40	5.00	4.81	.268
Financial Attitude	465	4.00	5.00	4.89	.207
Personal Saving	465	4.00	5.00	4.92	.169
Valid N (listwise)	465				

Source: *Field Survey-2024*

Table 5 shows the descriptive statistics of different 465 observations of investors. Here maximum, minimum, mean and Standard Deviation is calculated for the independent variables Financial Knowledge, Financial Behaviors, Financial Skill, Financial Attitude and Personal Saving and dependent variables investment Decision. The minimum, maximum, mean and standard deviation is calculated based on the respondent responded to the question of the questionnaire. Here investment decision of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.95 and 0.168 respectively. Financial Knowledge of the respondent is minimum, maximum, mean and standard deviation is 4.60, 5.00, 4.89 and 0.169 respectively. Financial Behaviors of the respondent is minimum, maximum, mean and standard deviation is 4.40, 5.00, 4.88 and 0.187 respectively. Financial Skill of the

respondent is minimum, maximum, mean and standard deviation is 4.40, 5.00, 4.81 and .268 respectively. Financial Attitude of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.89 and .207 respectively. Personal Saving of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.92 and 0.169 respectively. The current position of the financial literacy and investment decision of the given table shows that respondent response is consistence because of the standard deviation of the research is very low which means the variation of the data also very low.

#### **4.1.3 Correlation Analysis**

This statistical method is used to determine the direction and intensity of the relationship between two sets of variables. The relationship is explained using the Pearson correlation coefficient, which ranges from -1 to +1. A correlation coefficient of -1 indicates a perfect negative correlation, indicating that the two variables move exactly in opposite directions.

Table 6  
*Correlation of Variable*

		Investment Decision	Financial Knowledge	Financial Behaviors	Financial Skill	Financial Attitude	Personal Saving
Investment Decision	Pearson Correlation	1					
	Sig. (2-tailed)						
Financial Knowledge	Pearson Correlation	.254**	1				
	Sig. (2-tailed)	.000					
Financial Behaviors	Pearson Correlation	.314**	.950**	1			
	Sig. (2-tailed)	.000	.000				
Financial Skill	Pearson Correlation	.287**	.874**	.830**	1		
	Sig. (2-tailed)	.000	.000	.000			
Financial Attitude	Pearson Correlation	.489**	.751**	.817**	.692**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
Personal Saving	Pearson Correlation	.060	.391**	.384**	.675**	.483**	1
	Sig. (2-tailed)	.193	.000	.000	.000	.000	
	N	465	465	465	465	465	465

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

Source: *Field Survey-2024*

Table 6 present the correlation table of different variables. Here 465 respondents of the investors are taken and correlation is calculated between dependent and independent variable. The independent variables are financial knowledge, financial behaviors, financial skill, financial attitude and personal saving and dependent variable is investment decision. The relationship of the research is related to the objectives two. The data for the calculation of the correlation is collected using questionnaire as primary data from the share market investors inside the Kathmandu valley and they are 465 called respondent of the research.

The relationship between investment decision and financial knowledge is positive correlated and that is significant too and hypothesis also true. The correlation value is the positive 0.254 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and financial behaviors is positive correlated and that is significant too and hypothesis also true. The correlation value is the positive 0.314 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and financial skill is positive correlated and that is significant too and hypothesis also true. The correlation value is the positive 0.287 and which is significantly correlated because significant value is 0.000 which is less than 0.000 called one percent level of significant.

The relationship between investment decision and financial attitude is positive correlated and that is significant too and hypothesis also true. The correlation value is the positive 0.489 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and personal saving is positive correlated and that is not significant and hypothesis not true. The correlation value is the positive 0.193 and which is not significantly correlated because significant value more than 0.05 called not significant.

#### **4.1.4 Multiple Regression Analysis**

The main goal of multiple regression analysis is to predict changes in the dependent variable by examining changes in the independent variables. This analysis assesses the predictive capability of multiple regressions. Moreover, the coefficient of determination in multiple regression can be understood as the proportion of variability in the dependent variables that the regression equation can account for.

Table 7

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656 <sup>a</sup>	.431	.424	.128

a. Predictors: (Constant), Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill, Financial Knowledge

Source: *Field Survey-2024*

Table 7 shows the model summary of 465 observations different group of people.  $R^2=0.431$  means 43.1% of total variations in investment decision is explained by independent variable called predictor of the research i.e. personal saving, financial behaviors, financial attitude, financial skill and financial knowledge but 56.9% of total variation on investment decision is explained by other factors. Here adjusted r square is 0.424 which represent the goodness of fit. It's the cumulative variations to the investment decision by independent variable called predictor are personal saving, financial behaviors, financial attitude, financial skill and financial knowledge.

Table 8

*ANOVA Table*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.694	5	1.139	69.411	.000 <sup>b</sup>
	Residual	7.530	459	.016		
	Total	13.224	464			

a. Dependent Variable: Investment Decision

b. Predictors: (Constant), Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill, Financial Knowledge

Source: *Field Survey-2024*

Table 8 shows the ANOVA 465 observation of the respondent in share market. Here dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The

regression value is significant because significant value is 0.000 which is less than 5%. Its mean the regression is strong.

Table 9

*Coefficient of Variable*

Model	Unstandardized		Standardized		t	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta			
1 (Constant)	6.849	.343			19.950	.000
Financial Knowledge	-1.013	.141	-1.016		-7.195	.000
Financial Behaviors	-.128	.118	-.143		-1.085	.278
Financial Skill	.700	.070	1.115		10.009	.000
Financial Attitude	.757	.054	.931		13.954	.000
Personal Saving	-.686	.061	-.691		-11.161	.000

a. Dependent Variable: Investment Decision

Source: *Field Survey-2024*

Table 9 present the coefficient of investor's investment decision. The coefficient table is based on the regression model of  $ID = \alpha + \beta_1 \times FK + \beta_2 \times FB + \beta_3 \times FS + \beta_4 \times FA + \beta_5 \times PS + e$ . Here coefficients of 465's observations. Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. Here coefficient table shows the individual variable variation to the dependent variable, their accuracy and significant level.

Table 11 present the coefficient of investor's investment decision. The coefficient table is based on the regression model of  $ID = \alpha + \beta_1 \times FK + \beta_2 \times FB + \beta_3 \times FS + \beta_4 \times FA + \beta_5 \times PS + e$ . Here coefficients of 465's observations. Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. Here coefficient table shows the individual variable variation to the dependent variable, their accuracy and significant level.

The beta coefficient for financial knowledge is -1.013, indicating that a 1% change in financial knowledge corresponds to a -1.013% change in investment decisions among share market investors. The accuracy of this calculation is 0.141, suggesting a high level of

precision. The coefficient's significance value is 0.00, less than 0.05, indicating a significant impact of financial knowledge on investment decisions, supporting the hypothesis.

For financial behaviors, the beta coefficient is -0.128, implying that a 1% change in financial behaviors results in a -0.128% change in investment decisions. The accuracy of this estimate is 0.118, reflecting a high level of accuracy. However, the coefficient's significance value is 0.278, greater than 0.05, indicating that the impact of financial behaviors on investment decisions is not significant, contrary to the hypothesis.

The beta coefficient for financial skills is 0.7, meaning a 1% change in financial skills leads to a 0.7% change in investment decisions. The accuracy of this estimation is 0.07, indicating high accuracy. The coefficient's significance value is 0.00, less than 0.05, indicating a significant impact of financial skills on investment decisions, supporting the hypothesis.

Financial attitude has a beta coefficient of 0.757, indicating that a 1% change in financial attitude results in a 0.757% change in investment decisions. The accuracy of this calculation is 0.054, indicating high accuracy. The coefficient's significance value is 0.00, less than 0.05, indicating a significant impact of financial attitude on investment decisions, supporting the hypothesis.

Lastly, personal savings has a beta coefficient of -0.686, meaning a 1% change in personal savings results in a -0.686% change in investment decisions. The accuracy of this calculation is 0.061, indicating high accuracy. The coefficient's significance value is 0.00, less than 0.05, indicating a significant impact of personal savings on investment decisions.

#### 4.1.5. Result of Hypothesis

The outcome from hypothesis testing are specified in this section the below table.

Table 10

*Summary of hypothesis test result*

Hypothesis Statement	Value	Results
There is no significant relationship between financial literacy and investment decision in Nepalese share market.	0.000	False
There is no significant impact of financial literacy on investment decision of Nepalese share market.	0.000	False

There is a significant relationship between financial literacy and investment decision in Nepalese share market.	0.000	True
There is a significant impact of financial literacy on investment decision of Nepalese share market.	0.000	True

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Table 10 shows the hypothesis test summary; the result of financial literacy and investment decision in share market of the investors relationship is found and similarly impact of financial literacy to the investment decision also significant with significant value 0.000. So the null hypothesis statement are false and alternative hypothesis statement are true.

#### 4.2 Discussion

The first objectives of the research is to assess the factors of financial literacy affecting the investment decision in Nepalese share market. It is found that the factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The result is consistent with the result of Oteng, (2019); Thapa and Raju, (2020) and Vaidya, (2021). The factors affecting are found from the literature reviews and regression analysis of the study.

The second objectives of the research is to analyze the relationship between financial literacy and investment decision in Nepalese share market. It is found that the relationship between investment decision and financial knowledge is positive correlated and that is significant too and hypothesis also true. The result is consistent with the result of Mirosea and Hajar, (2023). The relationship between investment decision and financial behaviors is positive correlated and that is significant too and hypothesis also true. The result is consistent with the result of Wijayanto et al., (2023). The relationship between investment decision and financial skill is positive correlated and that is significant too and hypothesis also true. The result is consistent with the result of Mbwambo et al., (2022). The relationship between investment decision and financial attitude is positive correlated and that is significant too and hypothesis also true. The result is consistent with the result of Hastings and Mitchell, (2020). The relationship between investment decision and personal saving is positive correlated and that is not significant and hypothesis not true. The result is consistent with the result of RasooRasool and Ullah, (2020).

The third objectives of the research is to analyze the impact on financial literacy of investment decision of Nepalese share market. It is found that the impact of financial knowledge to the investment decision is significant and also the hypothesis is true. The result is consistent with the result of Kumari, (2020). The impact of the financial behaviors to the investment decision is not significant and also the hypothesis is not true. The result is consistent with the result of Rekha and Sridevi, (2024). The impact of the financial skill to the investment decision is significant also the hypothesis is true. The result is consistent with the result of Manandhar, (2023). The impact of the financial attitude to the investment decision is significant and also the hypothesis is true. The result is consistent with the result of Shrestha, (2019). The impact of the personal saving to the investment decision is significant. The result is consistent with the result of Pantha, (2023).

## CHAPTER-V

### SUMMARY AND CONCLUSION

This chapter comprises three key components: summary, conclusion, and inference. The summary provides a comprehensive overview of the entire study process, encompassing the entirety of the research efforts from initiation to completion. Both the summary and conclusion of the thesis are incorporated in this section. Additionally, the implications of the results obtained from the thesis work are discussed.

#### 5.1 Summary

Financial literacy plays a critical role in shaping investment decisions within Nepal's share market. Investors who possess a solid grasp of financial principles, such as risk management, portfolio diversification, and market analysis, are better positioned to make well-informed decisions, potentially increasing their chances of achieving higher returns. In Nepal, where the share market is still developing, the level of financial literacy among the population significantly influences participation in the market and investment behaviors. Individuals with limited financial knowledge may be more susceptible to making impulsive or uninformed investment choices, often influenced by market rumors or short-term profit opportunities. Conversely, investors who are financially literate are more likely to conduct thorough research, comprehend market trends, and assess the financial health of companies before investing. This approach contributes to more stable and sustainable growth within the market. Therefore, enhancing financial literacy is crucial for fostering a resilient and thriving share market in Nepal. On the basis of the given background the research is conducted on “financial literacy on investment decision in Nepalese share market”.

The objectives of research is to assess the factors of financial literacy affecting the investment decision in Nepalese share market, to analyze the relationship between financial literacy and investment decision in Nepalese share market, to analyze the impact on financial literacy of investment decision of Nepalese share market. The objectives are prepared because of the solving the problem and they are in the statement and they are what are the factors of financial literacy affecting the investment decision in Nepalese share market? Is there any relationship between financial literacy and investment decision in Nepalese share

market? What is the impact of financial literacy on investment decision in Nepalese share market? The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The descriptive and casual comparative research design is used. SPSS and Excel are the tools of data analysis. Total investors of the Kathmandu valley are the population of the research and the sample are the 465 as a convenience sampling techniques used. Primary source of data are used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis are excel and SPSS. The finding of the research is that the factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The relationship of financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship of personal saving with investment decision is positive but not significant. The impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not significant.

## **5.2 Conclusion**

The first objectives of the research is to examine the current position of financial literacy and investment decision in Nepalese share market. It is found that factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. In conclusion the factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge.

The second objectives of the research is to analyze the relationship between financial literacy and investment decision in Nepalese share market. It is found that relationship of financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship of personal saving with investment decision is positive but not significant. In conclusion the relationship of financial

knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research.

The third objectives of the research is to analyze the impact on financial literacy of investment decision of Nepalese share market. It is found that impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not significant. In conclusion the impact of financial skill and financial attitude to the investment decision is positive and significant.

### **5.3 Implications**

The importance of financial knowledge and investment decisions varies among investors in Nepal's stock market. Investors consider their level of financial knowledge and related practices when making investment choices. As the Nepalese stock market undergoes rapid growth, there is an influx of new investors, some of whom may have limited understanding of financial concepts and practices. The decision to invest in shares holds particular significance.

- i. Investors with higher financial literacy are more likely to make informed investment decisions. They can better analyze market trends, understand financial statements, and evaluate the potential risks and returns of their investments.
- ii. Better-informed investors contribute to more accurate price discovery in the market. Their decisions based on fundamental and technical analysis help reflect the true value of securities.
- iii. Financial literacy encourages savings and investment habits among individuals, leading to a higher rate of capital formation in the economy.
- iv. Individuals with a good understanding of financial concepts are more likely to achieve financial independence and security, positively impacting their quality of life.
- v. Government policies and financial institutions should focus on providing accessible and easy-to-understand financial information and resources to the public.

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## APPENDICES

### Appendix 1: Survey Questionnaire

March - April, 2024

Dear Respondent,

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

Thank you for your cooperation.

Saraswati Dahal

MBS Student

Shanker Dev Campus, Kathmandu

#### Part I: BIO DATA

1. Your Full Name

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2. Age ( Put in to the bracket 1 between 18-25, 2 for 25-45, 3 for 46-55 and 4 for above 56)

- between 18-25 ( )
- 25-45 ( )
- above 56 ( )

3. Marital status (Put in to the bracket 1 for married and 2 for unmarried)

- Married ( )
- Unmarried ( )

4. Gender of the respondent (Put in to the bracket 1 for male and 2 for female)
  - Male ( )
  - Female ( )
5. Education (Put in to the bracket 1 for below SLC, 2 for having SLC, 3 for intermediate and 4 for bachelor and above degree)
  - Below SLC ( )
  - Having SLC ( )
  - Intermediate ( )
  - Bachelor and more degree ( )
6. Mention your profession. (Put in to the bracket 1 for Student, 2 for bankers, 3 for Government and other private sector employees and 4 for business person)
  - Student ( )
  - bankers ( )
  - Government and other private sector employees ( )
  - business person ( )
7. Mention your income level? (Put in to the bracket 1 monthly up to 15000 , 2 for 15000-20000 in a month, 3 for 20001-50000 a month and 4 for monthly earning more than 50000)
  - monthly up to 15000 ( )
  - 15000-20000 in a month ( )
  - 20001-50000 a month ( )
  - monthly earning more than 50000 ( )
8. Time you involve in the investment sector (Put in to the bracket for below 5 year, 2 for 5-8 year, 3 for 8-12 year and 4 for more than 12 years)
  - Below 5 year ( )
  - 5-8 year ( )
  - 8- 12 year ( )
  - More than 12 years ( )

## Part II

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

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

## A) Investment Decision

Questions	1	2	3	4	5
Investors require sound investing decisions.					
Making investing decisions requires financial literacy.					
Financial knowledge has an impact on investment decisions.					
Financial behavior and investment decisions are related.					
Investment choice and financial expertise are related.					
Saving is importance for the investment decision to the investors.					

## B) Financial Knowledge

Questions	1	2	3	4	5
The importance of financial knowledge in investing decision-making.					
All investors in the stock market require financial expertise.					
Profit booking on the stock market involves having sound financial knowledge.					
Financial expertise influenced the choice of an investment.					
You believe that good financial behavior is a necessary trait for investors.					

## C) Financial Behavior

Questions	1	2	3	4	5
Investment decision-making is influenced by financial behavior.					
All investors in the stock market require financial behavior.					
Financial conduct is at the heart of share market profit booking.					
Investment decisions were influenced by financial behavior.					
You consider good financial behavior to be a trait of successful investors.					

## D) Financial Skill

Questions	1	2	3	4	5
The importance of financial knowledge in investing decision-making.					
All investors in the stock market require financial skill.					
Profit booking on the stock market is purely a matter of financial competence.					
The choice of an investment was influenced by financial skill.					
You believe that one of the qualities of successful investors is financial skill.					

## E) Financial Attitude

Questions	1	2	3	4	5
The importance of financial attitude in investing decision-making.					
All investors in the stock market need a strong financial					

attitude.					
Profit booking on the stock market is mostly driven by financial attitude.					
Financial mindset had an impact on the investment choice.					
You believe that one trait of successful investors is a positive financial mindset.					

#### F) Personal Saving

Questions	1	2	3	4	5
Personal savings are crucial when making financial decisions.					
All investors in the stock market need personal savings.					
Profit booking in the stock market is all about personal savings.					
A factor in the investment decision was personal savings.					
You consider personal savings to be a desirable trait among successful investors.					

Source: *Researcher Creation*

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

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ABSTRACT The objectives of research is to assess the factors of financial literacy affecting the investment decision in Nepalese share market,

**to analyze the** relationship between **financial literacy** and **investment** decision **in Nepalese share market**

and

**to analyze the impact** on **financial literacy** of **investment** decision of **Nepalese share market**

. The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The descriptive and casual comparative research design is used.

**SPSS and Excel are the** tools of data **analysis** . Total investors **of the** Kathmandu valley **are the**

population of the research and the sample are the 465 as a convenience sampling techniques used. Primary source of data are used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis are excel and SPSS. The finding of the research is that the factors of financial literacy affecting the investment decision are personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The relationship of financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship of personal saving with investment decision is positive but not significant. The impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision