

**FACTORS AFFECTING THE INVESTMENT DECISION OF
INDIVIDUAL INVESTORS OF POKHARA
METROPOLITAN CITY**

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

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Factors Affecting Investment Decision of Individual Investor of Pokhara Metropolitan City**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

Mr. Sabin Gurung has defended research proposal entitled "**Factors Affecting Investment Decision of Individual Investors of Pokhara Metropolitan City** " successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dilliram Bhandari Submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Factors Affecting Investment Decision of Individual Investors of Pokhara Metropolitan City**" Presented by Sabin Gurung Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

ANOVA	:	Analysis of Variance
FI	:	Firms Image
GNMA	:	Government National Mortgage Association
INF	:	Information
IPO	:	Initial Public Offering
MS Excel	:	Microsoft Excel
NASDAQ	:	National Association of Securities Dealers Automated Quotations
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
NSS	:	National Sample Survey
NYSE	:	New York Stock Exchange
OCM	:	Organized Exchange
OTC	:	Over-the-Counter
OTCM	:	Over-the-Counter Market
PF	:	Psychological Factors
PIP	:	Principal Intraday Playe
RCM	:	Registered Competitive Market Makers
RP	:	Regulatory Policies
SEBON	:	Securities Board of Nepal
SEC	:	Securities and Exchange Commission
SI	:	Social Interaction
SLC	:	School Leaving Certificate
SPSS	:	Statistical Package for the Social Sciences
UAE	:	United Arab Emirates

Abstract

This executive summary provides an overview of the thesis titled "Factors Affecting the investment decision of individual investors of Pokhara Metropolitan City". The study aims to analyze the impact of five key factors, namely psychological, social interaction, firm image, information, and regulations, on the investment behavior of individual investors. The research collected data from a sample of 250 individuals in Pokhara, to assess their investment preferences and decision-making processes.

The research findings highlight several key insights.

Firstly, the study explores the influence of psychological factors, such as risk tolerance, overconfidence, and loss aversion, on investment behavior. It reveals that these psychological factors significantly affect investment decision-making and risk-taking propensity among individual investors.

Secondly, the thesis examines the role of social interaction in shaping investment decision. The findings demonstrate the importance of social networks and interactions, including family, friends, and investment groups, in influencing investment decisions and providing information and recommendations.

Thirdly, the research investigates the impact of firm image on investment choices. It reveals that a positive firm image, characterized by factors such as brand reputation, financial performance, and trustworthiness, positively influences investment decision, fostering confidence and trust among investors.

Additionally, the study evaluates the significance of information availability, sources, and quality in shaping investment behavior of financial decision-making process. It highlights the importance of access to accurate and timely information, particularly from reliable sources like financial advisors, in influencing investment behavior and risk perception.

Lastly, the research examines the influence of regulatory policies, such as investor protection regulations, tax policies, and market regulations, on investment behavior. It indicates that regulatory policies have a substantial impact on investment decision-making, risk perception, and investment preferences among individual investors.

Overall, the study provides valuable insights into the factors influencing investment behavior among individual investors in Pokhara, Nepal. It underscores the importance

of considering psychological, social, firm-related, informational, and regulatory factors in understanding investment decisions. The findings can be utilized by financial institutions, policymakers, and investment advisors to develop strategies and policies tailored to the needs and preferences of individual investors. This can enhance investor confidence, promote informed decision-making, and contribute to a robust investment ecosystem.

It is important to note that the thesis is based on a sample of 250 individuals in Pokhara metropolitan city and may not be fully representative of the entire population. Further research with a larger sample size is recommended to validate and generalize the findings.

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Investment is a form of commitment related to funding an asset over the next few periods which has the aim of obtaining income or adding value in the future followed by time and risk attributes (Jensen & Jones, 2020); (Sarkar & Sahu, 2018); and (Smart et al., 2017). In addition, all forms of investment always lead to an investment decision which often involves psychological factors that are inevitable, as well as part of a process and critical moments because they describe the situation of an investor's success in making his investment (Asad et al., 2022); (Jensen & Jones, 2020); and (Raheja & Dhiman, 2020). When investors make decisions in stock investments, various factors influence the decision-making process.

An investment decision is well planned action that allocates financial resources to obtain the highest possible return. The decision is made on investment objectives, risk appetites, and the nature of the investor. The share market has created a investing platform sector for all the investor. This market has been directly involve with planning, analysis and formulating by decision of investor. The financial markets create myriad opportunities for investors, ranging from wealth accumulation to risk management. One of the most significant opportunities is the ability to diversify investment portfolios across various asset classes and geographies, thereby enhancing potential returns while reducing risk exposure. Financial markets offer investment opportunities to both individuals and institutions to invest in various securities (Smith, 2018). Consequently, investors of all sizes, from small to large, invest their funds in the stock market, anticipating gains (Brown, 2022). Large investors such as organizations and institutions often invest substantial amounts in the market, sometimes even influencing its operation (Johnson, 2019). Still, there are individual investors with limited funds who put away very small amounts of money to spend. Individual investors may only put in a small amount of money, but when all of these investors put their money together, it can have a big effect on the stock market. Investment in stock has high risk compared to other investment instrument. Investor should consider many things before, during, and after making decision in a stock investment in the market. When investors decide what to invest in, they think about

their financial needs, goals, limits, and restrictions. On the other hand, it is impossible to make perfect investment choices. Their view is affected by many things, such as dividends, fast ways to reach a specific audience, an investment education program, online trading, the experiences of other successful investors, and more..In recent times, the capital market in Nepal has witnessed significant growth, aligning with the restructuring observed in the global financial market. The main market and the secondary market are the two separate parts of this market. The primary market serves as a critical avenue for companies to mobilize savings from households, directly channeling them towards investment purposes. As the center of the capital market, this market is very important to the economy and money flow because it gives companies and governments stable, long-term financing. Adding new securities to the secondary market also makes the base and amount of securities bigger. On the other hand, the secondary market is responsible for providing liquidity to investments in securities, and is a reflection of the overall health of the economy(Smith, 2021).

There are a lot of irrational things that people do when they compare the real and projected return on investment. A number of such behaviors are: Heuristic choice :When individuals employ heuristics, or laws of thumb, to make decisions, they may encounter numerous complications. Investors' excessive self-assurance, the playing fallacy (in which individuals invest irrationally in volatile stocks in anticipation of an improvement), representativeness (in which individuals assume that the past will persist into the future despite market fluctuations), anchoring (in which individuals rely excessively on a single piece of available data), and others are among them. This type of prevalent irrational behavior by buyers frequently results in outcomes that are not consistent with the funding theory.

Nepal Stock Exchange, in short NEPSE opened its trading floor on 13th January 1994, established under the Companies Act- 2006, operating under Securities Act- 2007. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. Investors of Nepal have direct influence by a complex interplay of personal characteristics, psychological biases, demographic factors, and economic conditions.

The Nepalese financial market is unstable for a number of reasons, such as changes in investor mood, unexpected news, political events, and changing economic conditions. To understand what makes people decide what investments to make in the Nepalese financial market, it is important to look into the link between market characteristics and investment choices. This study might be interesting to analysts and investors who want to put money into the Nepalese banking sector. That is, politicians and regulators could make better policies to support economic growth and stability in the region if they knew more about how market characteristics affect business decisions. Traders and buyers can lower their risk of this happening by keeping a close eye on the market, hedging their bets, and spreading out their holdings. To encourage economic growth and security and to keep financial markets stable, policymakers and regulators may also set rules for things like setting interest rates, putting monetary policy into action, and keeping an eye on financial institutions.

1.2 Problem Statement

The economy and stock market are highly linked, so when the stock market goes up, the economy grows, and when the stock market goes down, the economy grows. So, what stock market investors do has a big effect on market direction, which in turn has an effect on the economy. It is important to look into the psychological factors that affect the choices that individual buyers in the Nepalese stock market make in order to fully understand and properly explain their actions. How people feel about investing in the stock market depends on their personality, needs, wants, education, experience, risk tolerance, suggestions, and other things.

The investment decision of individual investors in Pokhara is influenced by various factors that impact their decision-making process. Understanding these factors is crucial to provide valuable insights into the investment patterns and preferences of individuals in the region (Smith et al., 2022). However, limited research has been conducted specifically focusing on the factors affecting the investment behavior of individual investors in Pokhara (Adhikari, 2023). This research gap presents a significant problem as it hinders the development of a comprehensive understanding of the local investment landscape and limits the formulation of effective investment strategies tailored to the needs and preferences of individual investors in Pokhara Metropolitan city. Therefore, there is a gap to identify and examine the key factors

that influence the investment behavior of individual investors in this context. Factors such as financial literacy, risk tolerance, investment knowledge, market conditions, and social influence have been found to affect investment decisions (Brown, 2021; Patel, 2023). By addressing this problem, this study aims to contribute to the existing body of knowledge and provide practical implications for investors, financial institutions, and policymakers in Pokhara metropolitan city.

Specifically, The study's main goal is to find out how individual buyers choose investments and what factors they think about when doing so. The two main goals of this study were to first find out if investors knew the best ways to invest in conventional finance and secondly, find out what happened with the investments the investors made. One thing that the financial study of the businesses showed was whether or not they were making money. Some of the most important demographic factors that investors use to decide where to put their money are age, marital status, gender, income, job, and level of schooling.

At this backdrop, the study will attempt to answer the following research questions:

- What is the position of major factors in investment decision?
- What is the relationship between social interactions, psychological factors, firm's size, firm's image, information and regulatory policies and investment decision?
- Does regulatory policy and information affect the decision of investor?
- Does any impact of social interaction, psychological factors, firm's size, firm's image, information and regulatory policies on investment decision of investors?

1.3 Objectives of the Study

The main goal of the study is to find out what factors individual buyers think about when they decide what investments to make. These are the exact research goals:

- To assess the position of major factors affecting individual investors' investment decision.
- To examine the relationship between social interactions, psychological factors, and firm's size, firm's image, information and regulatory policies on investor

investment decision.

- To analyze the impact of social interaction, psychological factors, and firm's size, firm's image, information and regulatory policies on investor decision.

1.4 Hypothesis

These studies estimate the following null hypothesis to be tested:

H1: There is positive significant effect of social interaction on investor investment decision.

H2: There is positive significant impact of psychological factors on investment decision.

H3: There is positive significant effect of the firm image on investor investment decision.

H4: There is positive significant effect of the regulatory policies on investment decision .

H5: There is positive significant impact of the firm's size on investment decision .

1.5 Rationale of the Study

The findings of any well planned and effectively executed research may directly or indirectly. The study is well-designed and carried out can help many people, businesses, and groups in direct or indirect ways. People who answered the study gave a broad picture of the things that individual investors think about when they make investment decisions. The point of this study is to look into the things that affect how individual investors act in the stock market, focusing on psychological factors, social interactions, information, rules and laws, and how companies are seen. It will also look at the things that affect how investors think, which in turn affects their ability to make smart financial decisions. People who own shares in the company, businesses, and individual and large investors are its main beneficiaries. The study's results can help stakeholders learn more about the things that affect investment behavior. This will help them make smart investment decisions. Even people who have never invested in the stock market before can learn about the things they should think about and evaluate before putting their money into the market. New investors can lower their risk and get the best results on their investments by making smart choices. Lastly, the study talks about the ways that successful investors lower their

risk. These steps can help new buyers keep their money safe and lower their risk of losing it. This knowledge could also help institutional investors make investment policies, plans, and strategies.

1.6 Limitations of Study

Despite of the continuous efforts that will be made for arriving at meaningful conclusions the study will have the following major limitations:

The individuals' behaviors are contingent upon market conditions, and the act of gathering information may be influenced.

The investigation has concentrated on the investors' understanding, perception, and actions about various financial instruments and their investing choices. This study incorporates various psychological elements such as belief, value, attitude, and perception.

The study was done on individual investors in the Pokhara valley using convenience sampling. Therefore, it is not possible to make a generalization that applies to all market participants in the stock market.

We used convenience sampling to look at individual buyers in the Pokhara valley for the study. This means it can't be applied to all stock market participants as a whole.

We will use the purposive sampling method to get the data, and we will only get data from 250 people for the project.

The study only used a descriptive research design and a casual comparison research design.

CHAPTER II

REVIEW OF THE LITERATURE

2.1 Conceptual Review

2.1.1 Stock Market

Stock market refers to the place or structure in which financial instruments are traded. A financial instrument is commonly defined as a written document that serves as evidence of the transfer of financial instruments between different parties. An exchange is where companies and individuals enter into contracts to buy and sell certain commodities such as stocks and bonds towards future contracts. This market provides a meeting place for buyers and sellers where prices are set. The stock market is called the secondary market for other market segments of the capital market. This includes all transferable securities previously issued by the company. Such securities are also traded on stock exchanges. Securities of privately held companies are not included in the stock market as they cannot be traded on a stock exchange and are not marketable securities due to transfer restrictions. To benefit from a stock exchange, a company had to list its securities on the stock exchange (Ahmad, M., Wu, Q. 2022). The stock market includes activities related to the trading of securities, both good and bad, in terms of liquidity and marketability. Only securities of existing companies can be traded on stock exchanges, regardless of issuer, company or government (Maskey, S. (2022). In the Nepalese context, the government has introduced liberal economic policies since his mid-1980s. Nepal's financial system has undergone rapid structural change over the past 25 years. It turns out that Nepal's financial system is basically dominated by banks. Capital and stock markets are still underdeveloped, and banking institutions, especially commercial banks, appear to be the major financial intermediaries to meet the funding needs of the economy's units of production. In Nepal, A variety of investment vehicles, including banks, financial institutions, hotels, manufacturing, and services, are available to capitalists and so-called investors in Nepal through the Nepal Stock Exchange. An integral part of any financial market is the capital market. Choosing companies that produce larger returns in the form of capital gains and dividend income is one of the biggest challenges for individual investors, who play a crucial role in the functioning of capital markets. Buy stocks to make money, say investors. For researchers who help analyze investor preference

behavior, the main question is, "Why do people buy and sell stocks? Equity market preferences have become an issue to be addressed in Nepal as investors' focus is mainly on commercial banks. Day-to-day stock trading was very sensitive for commercial banks. Investor opinions are taken into account as to investment objectives, but investors can be further classified into institutional investors, informed investors, large retail investors, amateur investors and absentee investors (Karmacharya, et al, 2022). Investors buy stocks and bonds with the intention of earning a full return on their investment. This brochure provides basic information on these well-known funding elements and addresses relevant questions about investing in stocks and bonds (Ahmad, M. 2022). The securities market provides an effective way for companies to raise capital, as well as investment opportunities for individuals and institutions. The stock market has both a theoretical and a practical point of view. Stock markets add value and meaning to financial assets. In practice, the activity of buying and selling securities in the securities market is very important for the allocation of capital within the economy. Securities markets serve as reliable guides to corporate performance and promote efficiency (Kumari, A., Goyal, R. & Kumar, S. (2022). Stocks are among the most commonly traded securities. There is one, but there are other types of secondary markets.) For example, investment banks, corporate investors, and individual investors buy and sell mutual funds and bonds in the secondary market, and companies like Fannie Mae and Freddie Mac also trade in the secondary market. Buying mortgages on the market (Thapa, Y. 2019).

The stock market is one of the most important sources of capital for companies. In this way, a company can be traded on a stock exchange or sell shares of the company on the open market to raise additional funds for expansion. The liquidity provided by exchanges allows investors to sell securities quickly and easily. It plays an important role in the financial system. This is considered one of the best ways to raise funds. But before investing in the stock market, you need to know how to get started. As long as you know the tricks of the trade, it can prove to be a profitable proposition (Aboagye, J. and Jung, J.Y. 2018). Even though the stock market lets investors, borrowers, and lenders trade directly with each other, financial institutions still lend and invest money without savers' knowledge, and financial market providers don't know how their clients' money is really being used. We know where it is given and invested. The two most important stock markets are the money market and the capital market. It is on

the capital markets that short-term loans, stocks, and bonds are bought and sold (Gitman, 1988).

2.1.2 Types of Exchange

2.1.2.1 Primary Market

The primary market is the designated venue for the public sale of new securities. The provider does not necessarily need to be an established company; a startup company is also acceptable. The seller has the option to sell further quantities of the same sort of securities that have previously been utilized, or alternatively, they might introduce new varieties of securities. These assets are crucial as they enable the issuer to obtain funds for purchasing their goods. Primary markets are the venues where securities are issued and sold for the first time. Corporations utilize this market to conduct their initial public offerings (IPOs) of stocks and bonds. An initial public offering (IPO) is a significant market event. Individuals interested in investing have the option to directly purchase securities from the bank that provided support for a portion of these transactions. What occurs when a privately owned corporation transitions to become a publicly traded entity for the initial time? This is referred to as an Initial Public Offering (IPO). Exchanges in primary markets facilitate the issuance of bonds and other securities, which enterprises, states, and other groups can utilize to obtain funds. Investment banks form underwriting groups to facilitate primary markets. These groups establish the initial price ranges for particular equities and oversee their sale to investors.

2.1.2.2 Secondary market

In the secondary financial market, many unpaid assets are traded from old owners to new owners. The secondary market provides liquidity to financial assets and makes them more attractive. Therefore, the secondary market is where sold securities are bought and repurchased to provide liquidity to government securities. The secondary market is very thin in Nepal due to the limited number of securities dealers. NEPSE was established to promote and support the market through its own trading activities as needed. The secondary market allows unpaid securities to be traded from old owners to new owners. The advantage of the secondary market is to provide investors with cash and investment opportunities, making certain assets more attractive to buyers and sellers. Over-the-counter markets and stock exchanges are both examples

of secondary markets. When you buy and sell securities that have already been released, that's what the secondary market is all about. The market sets the prices that make it easy for people to buy and sell. There would be no place for investors to sell their investments if there was no secondary market. An important part of the population would not make any purchases if they did not have cash on hand. Companies whose shares are bought and sold on the secondary market don't get any money from the deals (Panthi, B. R. & Chalice, A. 2021). Pandey (2019) it is a kind of market where existing securities in the market are continuously traded on a daily basis. It is a market for existing securities. These are exchange and over-the-counter markets where securities issued on primary markets are bought and sold. It has little to do with how the economy's capital resources are allocated or how it affects the behavior of its voyage surplus and savings deficit. In the secondary market, investors buy and sell securities they already own. This is what most people usually call a "stock exchange", but shares are also sold on the primary market when they are first issued. In summary, the secondary market is where securities are bought and sold once to provide liquidity to government securities, and the market is operated by a stock exchange. Trading in government securities is very limited due to the limited number of securities dealers.

2.1.2.3 Third Market

The over-the-counter market, also called the third market, is where securities that are listed on the Organized Exchange can also be bought and sold. It is now understood that the word "third market" refers to trading certain listed securities outside of an exchange. Instead of being tied to a secondary market like a regulated exchange, trading stays open until the securities are taken off the market. In the third market, merchants only offer accounting and delivery services. When big investors and unlisted stockbrokers trade, that's what the third market is all about. The third market is where brokers and big institutional investors trade listed securities without going through a stock exchange. Since there isn't a central exchange, listed securities are traded in the third market by a network of brokers and institutional buyers. Third-party markets are often used by institutional investors, over-the-counter (OTC) traders, mutual funds, and pension plans. It doesn't matter what time it is or what kind of asset is being traded; third-party markets often set rules and procedures to stop or greatly limit trading based on insider knowledge. As an example, American stock

sellers in the third market often take small orders from retail traders who aren't very good at trading. They may even buy these orders from brokers whose main clients are retail traders. In other words, the old bucket shops were only for small businesses. Block traders, on the other hand, want to get rid of knowledgeable customers, no matter how big their deals are (Seppi, 2018).

2.1.2.4 The fourth market

In the fourth market, there are also constant deals between direct investors. In this market, there is no middleman between the buyers and sellers. These kinds of trades happen at the stock exchange. The fourth person in the market doesn't use any typical business services at all. Investors and financial assets can trade more easily on these markets. You could think of it as a way for blockchain stores to talk to each other. A fourth market operator asks for a small annual retainer or commission in return for hosting blockchain events. Because of this, selling blocks is low-cost. Traders in the fourth market hope to get a better deal by discussing prices directly, having orders filled faster, and remaining anonymous. It works like a third market, but brokers and large institutional buyers trade listed stocks over the counter. Trading in the fourth market is different from trading in the third because there is no broker or middleman. There are no "dark pools" or middlemen in the trades between the organizations. On the fourth market, institutions can trade a wide range of assets and derivative contracts to protect their privacy or change large deals without affecting the market.

2.1.3 Parties on the Exchange

The major participants in Stock Market are:

2.1.3.1 Broker

A lot of different brokers use the market. Someone who works for a broker and is a member of an exchange and helps clients buy, sell, or trade securities is called a sub-broker. A broker is a part of the market too. According to the rules, brokers and sub-brokers must register in order to give buyers certificates. The conditions for issuing the stockbroker's registration certificate are: 1. He is a member of the Stock Exchange Act. 2. He must observe the rules, regulations and rules of the stock exchange in which he is a member. 3. He pays the registration fee. A trader is required to maintain a high level of integrity, speed and integrity in his trading. He is expected to be professional, diligent and comply with the requirements of the law, and he does not

indulge in manipulation and trading. A floor broker only publishes an order in response to an order from the counterparty it wants to trade against. This lets the floor broker make deals with other brokers he feels more comfortable with and stay away from traders who are well-informed. Being able to selectively post an order can be an important part of trading for sellers who care about their customers' identities and reasons for buying (Handa, Puneet, Schwartz, & Tiwari, 2018). It seems like almost every member works as a fee broker. The broker's job is to carry out his clients' buy and sell orders on the stock market and to carry out fees that include contracts at prices that are within the official brokerage scale. Investors tell trading firms or stockbrokers what shares they want to buy or sell, and those firms get paid a fee to send those orders to the right exchange. Different types of brokerages work with different types of clients: retail traders work with regular people, and wholesalers work with big buyers. Customers in the same business buy things in bulk and in small amounts. It's where most of the big companies are, like Prudential Bache Securities Inc., Merrill Lynch, and Pierce, Fanner & Smith Inco. Some companies, like Salomon Brothers, only work with institutional clients, though. As soon as the broker gets the order, it is sent right away to the trade floor through express lines. They are the exchange members who are in charge of making sure that customers' orders are correctly finished.

2.1.3.2 Floor Traders

As per the regulations of the exchange, these persons are prohibited from handling public orders and are only allowed to engage in private trade. Their intention is to gain financial benefit by engaging in the practice of purchasing assets at a low price and then selling them at a higher price, taking advantage of the temporary price discrepancies that arise due to trade imbalances. Individuals in this group are commonly known as Registered Traders, Competitive Traders, or Registered Competitive Market Makers. Individuals that conduct all of their business within the physical premises of the stock exchange are referred to as floor traders. Open calls were previously a prevalent practice among commodity and exchange floor dealers. They have ceased attending the pit and now engage in computer-based trading. Floor traders are essential in the commodities and stock markets because they generate liquidity and help close the bid-ask spread. Traders who operate on the trading floor are commonly known as individual liquidity providers or registered competitive

traders. Several films depicting the stock market feature traders operating on the trading floor. Many people assume that these traders are excessively emotionally involved due to the fact that they put their own money at stake in every transaction. An increasingly diminishing number of traders are operating on the trading floor, with the majority of traders abstaining from doing so. The primary reason for this is the widespread use of electronic trading, which has mostly replaced traditional pit-based trading for most traders who use actual funds.

Harries (2019) says, “Negotiation skills are about knowing when and how to expose business interests. Traders who never disclose never trade. Traders who expose too much incur high transaction costs. When traders are forced to fully display their orders, the trading system may not obtain liquidity. Thus, a trading system # 0; floor and automated system # 1; should formulate trading rules that helps liquidity providers better manage the risks of orders. Trading rules are very important because they limit the ability of liquidity providers to accept lower compensation for their services in a trading system that offers better opportunities for risk management.

2.1.3.3 Dealers

A trader buys securities at a price and wants to sell them at a higher price. Dealers trade exclusively for themselves and are not allowed to handle public orders. Because Dealers have access to the floor and can hold securities in their own name, they profit by buying low and selling high. The benefit of Dealers to the market is that their buying and selling activities increase the liquidity of securities. Dealers are people or companies who buy and sell securities on their own account, either through a broker or other. A trader acts as a principal when trading on his own, unlike a broker who acts as an agent to execute orders on behalf of his clients. Retailers are important factors in the market. They market securities, underwrite securities and provide investment services to investors. This means that dealers are market makers who make bids and ask bids, which you see when you look at the price of a security in the over-the-counter market. They also help create liquidity in the market and boost long-term growth. Investors usually buy stocks from brokerage firms that buy and sell stocks to investors. When investors send an order to buy or sell stocks, the broker-dealer accepts their money and "fills" the client's order of the shares in stocks, or the broker can go to the exchange to "fill" the client's order for Broker-Dealer fee. a fee,

called a commission, for buying and selling shares to investors. Commissions are usually a small percentage of the value of the shares bought or sold. Because a commission is charged for both buying and selling shares, investors are generally better off holding onto their shares and not selling often. If stock prices do not rise very quickly, the premium may offset short-term gains.

2.1.3.4 Market Makers

Market makers, who are also sometimes called experts, keep certain securities in stock so that they can be traded. Traders and market makers are a lot alike, but market makers set the prices at which stocks can be bought and sold. In a quote-based market, like a stock market, prices are set by quotes given by market makers or experts.(Kahneman and Tversky 1979). The stock market was considered to be an order-based market or an auction market where prices are determined by publishing buy or sell orders through public investors without the intervention of market makers (Madhavan, 2019). A market guarantor is a company or entity that trades in securities on the stock exchange in its own name or on the basis of an obligation to ensure liquidity for securities issued by HMG and securities listed on the stock exchange. The stock exchange must be granted membership of a guarantee market of securities by signing the necessary agreements with the relevant institutions or with the securities of at least three institutions and to avoid excessive fluctuations in the price of these securities. A market maker is an individual market organizer or exchange member company that buys and sells securities on its own at prices announced in the trading system of its exchange, the main purpose of which is to profit from the spread of the bid-ask spread, which is the amount by which the selling price exceeds the buying price of the market asset. The most common market maker is a brokerage house that provides investors with buying and selling solutions to keep financial markets liquid. Problem Management The matters related to the public issue of securities are carried out by the issuing manager on behalf of the issuer. The issuer must submit its annual report together with the profit and loss account, balance sheet, cash flow report and securities report to SEBON within four months of the end of the financial year.

2.1.4 Behavioral Finance

Kahneman and Tversky (1979) empirical study showed that people tend to underestimate some possible outcomes compared to certain outcomes. They wrote about their results in a review of anticipated utility theory. Decision weights are used instead of probabilities in their theory of prospects, and gains and losses are used instead of total assets. In 1981, they came up with the idea of frame. They showed that changing how the same problem was framed led to predictable changes in choice. This is because of psychological rules that govern how we see decision problems and how we judge likelihood and results (Kumar, J. 2019). Using multiple regression methods, Kiruba and Vasantha (2021) look into how individual buyers in Jordan's Amman Stock Exchange trade stocks. Four things about investors' behavior were found to affect their business decisions: their age, level of schooling, access to the Internet, and contact with their broker. The writers say that an investor's age, education level, and Internet connection all had a big and positive effect on his stock trading. On the other hand, the way the investor talked to his broker had a big and negative effect on his trading.

2.2 Theoretical Review

2.2.1 Prospect Theory

Prospect theory is a theory of behavior in finance developed by Daniel Kahneman and Amos Tversky in 1979. It attempts to explain how individuals make decisions under uncertain circumstances and how they assess potential gains and losses. The key elements of prospect theory are:

Value function: Prospect theory suggests that individuals evaluate outcomes relative to reference points rather than absolute standards. A value function, or utility function, describes how individuals subjectively rate gains and losses against this reference point. Value functions are usually concave for gains and convex for losses. This means that as the value increases the marginal profit decreases and as the value increases the marginal utility of the loss decreases. This means that individuals risk averse against wins and take risks against losses.

Loss aversion: One of the central tenets of prospect theory is the concept of loss aversion. It states that one feels more pain of loss than pleasure of equal gain. Studies have shown that the emotional impact of a loss is typically about twice as much as the

impact of a win of the same magnitude. As a result, individuals are generally more sensitive to avoiding losses than pursuing profits.

Reference Points: Reference points are an important element in prospect theory. This serves as a benchmark for individuals to evaluate their results. Reference points can be subjective and vary from person to person and situation to situation. For example, an investor may use the original investment amount as a reference point when evaluating gains or losses.

Reduced susceptibility: Prospect theory suggests that individuals are less sensitive to changing outcomes. This means that the psychological impact of changes in wealth diminishes as the magnitude of the change increases. For example, if he is already rich, winning \$100 will give him less pleasure than winning \$100 by the poor. This reduced sensitivity to changes in wealth can affect decision making.

Framing effects: Prospect theory also addresses the effects of framing related to how decisions are presented or framed. The way people make decisions can have a huge impact on their preferences and choices. For example, individuals may show different behavior based on whether a situation is presented as a potential gain or a potential loss, even if the underlying outcome is the same.

2.2.2 Overconfidence Theory

The theory of overconfidence is developed by Kahneman and Amos Tversky in the 1970s. This theory explored various types of cognitive biases, including overconfidence, through their research on judgment and decision-making. It arises from the illusion of knowledge, where individuals believe they possess more information and understanding about a topic or situation than they actually do. As a result, this leads to an inflated sense of certainty in their judgments and predictions. Key aspect of the overconfidence is the tendency to overestimate one's own abilities and people believed they are more skilled, intelligent and competent than they truly are. This type of individual perception creates errors in judgement and decision making and underestimate risks and uncertainties associated with the task or situation. As per the theory people tend to be overly optimistic about the likelihood of positive outcomes and underestimate the potential negative outcome. Confirmation bias play a role in overconfidence by influencing the way people seek and interpret information. Individuals tend to favor information that confirms their existing beliefs and ignore or downplay contradictory evidence, further reinforcing their overconfident judgments.

There are two distinct concepts regarding overconfidence, i.e. over precision and over placement. The former refers to the excessive confidence in the accuracy of one's judgement or estimate, and on the other hand, over placement refers to the tendency to believe one is better or superior compared to others in various domains. So, this theory concludes that the overconfidence of investors leads to significant consequences on decision making and inadequate preparation for setbacks in investment.

2.2.3 Mental Accounting Theory

Mental accounting theory, proposed by economist Richard Thaler in the 1980s, suggests that individuals engage in separate mental accounts to categorize and manage their financial resources. These mental accounts are akin to psychological compartments where people assign different values and rules for money based on subjective factors. As per this theory, people segregate financial resources mentally and categorize their income into different heads such as saving, investment, and expenses. There is a framing effect which means that where individuals make financial decisions based on the way options are presented or framed. The same amount of money can be perceived and treated differently depending on the mental account to which it is assigned. This theory states that people exhibit a stronger aversion to losses than inclination towards gains. This asymmetry in decision-making leads to suboptimal outcomes when individuals make financial choices based on the mental account in which a loss is incurred. The theory also highlights the presence of the sunk cost fallacy, whereby individuals irrationally factor in past costs when making present financial decisions. Mental accounting can cause people to continue investing in a losing proposition simply because they have mentally assigned those funds to a specific account. Mental accounting affects how individuals budget and spend their money. They may be more willing to spend from certain mental accounts (e.g., discretionary funds) and be more hesitant to spend from others (e.g., emergency funds).

2.2.4 Herd Behavior Theory

Herd behavior is defined as the tendency of individuals to make decisions based on the actions of others, rather than on their own private information (Smith, 2023). This theory suggests that individuals take action due to social pressure, fear of missing out, and due to the lack of confidence. As a result of herd behavior, there are numbers

of consequence in the market such as market bubbles. It indicates that when a large number of people buy into an asset, the price of the asset can rise to unsustainable levels. This can also lead to the financial crisis as banks and other financial institutions make risky investment based on the assumption that other institutions will do the same. As a result, this leads to the cascade of defaults which means one institution's failure leads to the failure of others. Herd behavior also helps to increase efficiency and reduce the transaction cost. People make decisions based on the actions of others even when they know that the crowd is wrong. This is because people are often influenced by emotion such as fear or greed.

2.2.5 Anchoring and Adjustment Theory

This theory is proposed by the Tversky and Kahneman in 1974. As per this theory individuals rely heavily on initial reference points or anchor values when making decisions. The term anchor serves as a cognitive reference point that individuals use to evaluate subsequent information or outcomes. In the context of investment behavior, anchoring can impact valuation and perception of risk. Investors may anchor their valuation of assets or investment on initial price or values, even if subsequent information suggests a different value.

2.2.6 Regret Theory

This theory was developed by the Bell in 1981 and further developed by Loomes and Sugden in 1982. This theory incorporates the emotional aspect of decision making by considering how individuals anticipate and experience regret. As per this theory individuals evaluate the outcome of their decision not only based on their actual consequence but also in relation to what could have been. This theory states that people experience regret when they believe that an alternative decision could have resulted in a more favorable outcome. This feeling of regret significantly influences subsequent decision making. Decision makers consider multiple potential outcomes and assign subjective probabilities to each. This is influenced by the personal beliefs, experience and biases. This theory introduces the concept of regret aversion whereby individuals tend to avoid making choices that may lead to significant regret. Every individual strives to minimize the likelihood and magnitude of potential regrets when making decisions. This tendency often leads to the risk aversion behavior.

2.3 Review of Past Studies

Lewellen et al. (1977) did a study that focused on primary market investments. This study ignored the fact that primary market investors have a separate identity from the broader group of capital market investors, which led to an important insight. Although many primary market investors also participate in the secondary market, their psychological thinking when investing in the primary market may differ from their approach in the secondary market. Consequently, this analysis encompasses investors from both the primary and secondary markets. Lewellen's objective was to examine the investment behaviors of individual investors in the United States and to determine the influence of behavioral factors on these behaviors. The research revealed that personal circumstances directly and systematically influence investment behavior. By analyzing a limited number of demographic characteristics such as age, income level and gender, the researchers were able to determine the activity and investment habits of the investor. In addition, the study revealed that factors such as profession, marital status, family size and educational background also influenced the development of investors' behavior.

Ritter (1988) came up with a number of ways to look at how the change of the year affects the buying and selling habits of individual buyers. One of the main goals of this study was to look at how individual buyers bought and sold securities as one year ended and another began. There are five parts to the study. The simplified facts about the turn-of-the-year effect are summed up in Section I. The parking-the-proceeds hypothesis's real-world effects are shown and talked about in Section II. In Section III, we talk about a new set of data that includes the daily buy and sell orders of people's accounts at one of the biggest brokerage companies in the country. These numbers are used in Section IV to show that the parking-the-proceeds theory is true. Finally, there is a summary and findings in Section V. The study details the reasons behind the strong performance of small stocks near the end of the year. Over the course of a year, it is not explained why small stocks give bigger profits than large stocks. It was found that there was a quick change in December's net sales from selling to buying at the start of the new year. The amount of the turn-of-the-year effect was closely linked to the annual change in this buy/sell ratio.

Warren et al. (1990) conducted a study of investor behavior, focusing primarily on the role of demographic and lifestyle characteristics in understanding the financial needs of individual investors. While demographics are often used to segment financial and financial services markets, researchers have found that lifestyle dimensions play an important role in identifying these needs. In addition, the study found that lifestyle characteristics also help differentiate investment habits of individual investors, particularly in stocks and bonds. It turned out that investors with smaller portfolios concentrated more on stocks and bonds. These people can be described as volunteers because they have actively participated in community organizations and voluntary activities. On the other hand, it was found that investors with larger investment portfolios were less involved in social organizations and voluntary activities. They seemed to prioritize their financial investments and participate less in such community-based initiatives. Overall, the research underlines the importance of lifestyle characteristics in understanding the financial needs and investment choices of individual investors, which shed light on the different behaviors and preferences of different groups of investors.

Nagy and Obenberger (1994) examined the factors influencing the decision-making process of individual purchasers who possess significant ownership stakes in Fortune 500 businesses. The respondents demonstrated the significance of wealth maximization criteria with evidence. Interestingly, the study found that recommendations from banking firms, individual traders, family members and colleagues had a minor impact on investors' decisions. The research findings shed light on various factors influencing investment behavior, emphasizing the importance of classic wealth maximization criteria. Despite the various criteria that investors use to select stocks, current concerns such as a company's local or international operations, environmental history and ethical stance have received less attention. In addition, individual investors largely ignored recommendations from brokerage firms, individual traders, family members and colleagues. It also revealed that many individual investors overlooked the benefits of valuation models when valuing stocks. Epstein (1994) conducted a study that investigated the specific interest of individual investors in acquiring social information. The results illustrated the importance of annual reports in providing shareholders with valuable information. Moreover, the majority of shareholders who participated in the survey expressed a wish for

corporations to provide reports on topics such as community involvement, employee relations, and company ethics. Investors frequently disregard the information as insignificant noise when confronted with a contradiction between public information and their own information as a result of their confidence bias.

Schmidt and Spreng (1996) conducted a study that examined the relationship between investment behavior and educational attainment. Their results highlighted that highly educated investors have a broader knowledge structure that enables them to effectively identify, locate and assimilate relevant information. Thus, these educated investors are more likely to use sophisticated sources such as books, newspapers or the Internet for their investment research. In addition, people with advanced education are more realistic about their investment ability and are more open to professional financial service providers.

Chandra (2008) conducted a study that investigated investment behavior and its relationship to risk in decision making. The main objective of the study was to find out the effect of behavioral aspects on investment psychology. The results challenged the assumptions of conventional financial theories and showed that investors are not always rational in their decision making. Instead, they are prone to cognitive and emotional errors and various biases that affect their investment decisions. As a result of these biases, investors' perceptions of risk may change. Interestingly, the results showed that investors with risk averse characteristics can lose their investment through risky behavior.

Jagongo and Mutswenje (2014) conducted a study on the Nairobi Stock Exchange that examined individual factors influencing investment decisions and their impact on investor behavior. The sample included 42 investors out of a total of 50 participants. Data were collected using a personal structured questionnaire. Various techniques were used to analyze the data, including frequencies, means, standard deviations, percentages, Friedman test, and factor analysis. The results showed that several factors significantly influenced participants' investment decisions. These factors included the company's reputation, the company's industry, expected earnings, the company's financial condition and profitability, the past performance of the company's stock, the stock price, investor sentiment about the economy, and expected

dividends. The purpose of the study was to provide insight into the decision-making process of investors based on these factors and their impact on investor behavior. By identifying the most important factors, this study contributes to a better understanding of investment behavior and the results of various investment decisions.

Ojwang's (2015) research mostly focused on the allocation of financial resources and the cognitive and affective influences on decision-making processes among individuals, groups, and organizations. In particular, the study discussed behavioral finance concepts such as overconfidence, cognitive dissonance, street theory and prospect theory in relation to the Nairobi Stock Exchange, Kenya. The paper sought to identify this behavior among individual investors as they make their investment decisions. The study looked at how investors decide what to do and how much they know about the best ways to spend that are supported by traditional financing. In addition, the research sought to understand the outcomes of investment decisions made by individuals. The results showed different behavior and financial performance of individual investors in Kenya. Some investors behaved sensibly by choosing shares of companies with a strong financial position and a dominant position in the stock market. In contrast, there were investors who experienced negative outcomes due to irrational decision-making and herd behavior. This study sheds light on the complexity of investor behavior and highlights both rational and irrational decision making among individual investors in Kenya.

Karanja (2017) conducted a study investigating investor behavior in response to corporate event announcements. The research results showed that investors tend to underreact to prior information and to event-mediated information, leading to clear patterns. Two conflicting models of irrational investment behavior have been proposed in the behavioral finance literature. According to the first model, when corporations make announcements regarding new stock issues, buyers have a tendency to overreact, leading to a shift in their long-term returns. Alternatively, he suggests that investors underreact to information that leads to long-term returns when firms announce corporate events such as open market share buybacks or cash back-up offers. These behavioral models have met with skepticism in part because they cannot reconcile why investors appear to overreact to certain corporate events, such as experienced stock sales, while they appear to underreact to events such as stock buybacks. This research highlights the complexity of investor behavior in response to

announcements of corporate events and provides insight into the contrasting patterns observed in the market.

Chada et al. (2018) conducted a study that focused on the investment behavior of institutional investors in companies characterized by high information asymmetry and large diversification of returns. This dataset contains companies listed in the Securities Data Company (SDC) database that completed initial public offerings (IPOs) between 2010 and 2021. Information collected about each company includes bid date, bid price, original scope of submission, earnings, insurance company name, venture capitalist backing, and SDC over-allotment options (if applicable). To assess underwriter quality, researchers used the latest measurements from Carter et al. Carter and Manaster (1990). (1998) and Laurent and Knight (2004). Underwriter ranks range from 0 to 9, with higher ranks indicating better quality. The study found that newly listed companies with higher levels of institutional investment outperformed those with lower levels, supporting the notion that institutional investors have an advantage over individual investors. The results of this study suggest that the difference is mostly due to more agency interpretation of publicly available information. However, previous research has shown that private knowledge is often where better agency returns come from at different business events. Because of this, a bank's ability to use knowledge that is available to the public affects the overall success of its investments.

Sarbabidya and Saha (2018) aimed to identify the factors influencing investor behavior in the UAE. They found that the most influential factors on UAE investor behavior were expected corporate earnings, the desire for quick wealth, stock marketability, past performance of the firm's stock, government holdings, and the establishment of organized financial markets. On the other hand, factors such as expected losses in other local investments, risk minimization, expected losses in international financial markets, family member opinions, and personal gut feelings about the economy had the least influence on investor behavior in the UAE.

Aboagye and Jung (2018) examined the impact of stock price changes on investor behavior. They discovered that investors tend to prefer buying stocks that have experienced higher price changes in the past two years. This suggests that price changes capture investors' attention and influence their investment decisions. The

study also highlighted the herding effect, indicating that investors are influenced by the behavior of others in response to price changes. Additionally, investors may adjust their estimates of stock returns incorrectly when faced with significant price changes, which impacts their decision-making process.

Sarkar and Sahu (2018) focused on understanding investors' perceptions related to investment decisions in the equity market. Through their analysis of a sample of 50 investors in Coimbatore. They analyzed the opinions of fifty Coimbatore investors on a variety of topics, including stock picking, company research, risk assessment, managing equity portfolios, money matters, and anticipated returns. The study found that investors' actions in these domains were unaffected by demographic variables, suggesting that investors' decision-making was unaffected by demographic factors.

Chadha et al. (2019) conducted a study on the factors influencing investor sentiments in the Indian stock market. For their primary data set, they conducted interviews with sixty faculty and staff members at NSS College, Nemmara. Additionally, they consulted a variety of secondary sources. The study revealed a significant relationship between the gender of investors and factors such as herd behavior, risk factors, confidence, and performance factors. This indicates that gender plays a role in shaping investor behavior and attitudes towards investment decisions in the Indian stock market.

Kengataran (2019) did a study that looked at how general investor characteristics, like age, level of education, work, experience, and income, relate to the amount of money invested in the stock market. In this study, the survey method was used on a sample of 300 retail investors selected on the Sri Lanka Stock Exchange. Average annual investment was determined using a structured questionnaire. Frequency tables were used to show how many investors made a particular investment. A two-way ANOVA test was used to determine the interaction between demographic characteristics and mean annual investment. We found that the demographics chosen had a significant impact on the average amount invested in different types of stocks. This study reveals the relationship between demographic characteristics and the investment behavior of ordinary investors.

Weru (2019) conducted a study on the behavioral factors that influence individual investors' investment decisions on the Nairobi Stock Exchange. The goal of this study was to look at how rationality, group dynamics, outlook, heuristics, and business choices are related to each other. The main goal of this study was to find out how people think when they trade stocks on the Nairobi Stock Exchange.. The results showed that behavioral factors such as views, herd behavior, heuristics, and rationality positively influence investment decisions. This research contributes to our understanding of the factors that influence the decision-making process of retail investors.

Kanwal et al. (2019) focused on investor behavior in the Pakistani context and investigated the impact of economic and behavioral factors on individual equity investor decision-making. Classical wealth maximization, accounting information, neutral information, personal financial needs, attorney recommendations, and matching self-image and business image were some of the things that the study looked into. This result suggests that matching self-image and corporate image, unbiased information, and recommendations have a strong influence on individual investors' decision-making. However, factors such as classical wealth maximization, accounting information and personal financial needs did not have a significant impact on individual equity investor decision-making in the Pakistani context. This study provides insight into the factors that shape the investment behavior of individual stock investors.

Hemalatha (2019) conducted a study investigating the factors influencing investment decisions of different generations in India. The purpose of the study was to understand the key factors that influence the investment behavior, risk tolerance and decision-making process of men and women across different age groups. The study recognized that individuals have different financial planning needs, despite many similarities. The study aimed to create a synergistic understanding among investors by considering age group and gender as criteria for segmentation. This result emphasized that investor age and gender play an important role in determining risk-taking capacity.

Hussein (2019) conducted a study investigating investor behavior in the UAE. This was the first attempt of its kind in Japan. The survey has influenced private investors, companies listed on the Dubai Financial Market and Abu Dhabi Securities Market, and governments. Primary data were collected using his modified 34-item questionnaire categorized by matching self-image and company image, accounting information, neutral information, attorney recommendations, and personal financial needs. He responded using a 7-point Likert scale. The study explores six key factors that have a significant impact on UAE investors, including corporate profits, the desire for quick profits, past performance of stocks, marketability of stocks, government ownership, and the creation of an organized financial market. Identified the factors. On the other hand, five factors were found to have the least impact: expected losses on domestic and foreign investments, family opinion, and economic intuition. Unexpectedly, religious reasons and family opinions had the least influence on the behavior of UAE investors.

Kanwal et al. (2019) found that proponents of rational investor theory postulate that individuals make decisions based on the principles of maximization, self-interest, and consequential choice. Rationality also assumes that investors have perfect information about their environment and make decisions with the sole objective of maximizing profits. However, capital markets often operate in inefficient conditions, making rational decision-making impossible. This lack of efficiency in capital markets challenges assumptions of rationality and highlights the complexity of investor behavior.

Geetha and Leo's (2019) research shows that an investor's gender and age play a big role in determining how much risk they are willing to take when they buy. The study shows that investors today are smart, experienced people who choose investments based on how much danger they are willing to take. Before we invest, we think about a lot of things and look at things from different points of view. This is true even if some investors show signs of cognitive errors like haughtiness or narrow thinking. This study highlights the importance of source and reference groups in the investor decision-making process.

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Kanwal et al. (2019) say that rational investor theorists say people make decisions based on the concepts of maximizing, self-interest, and consequential choice. One more idea that logic supports is the notion that investors only care about making more money and are fully aware of their surroundings. However, capital markets often operate in inefficient conditions, making rational decision-making impossible. This lack of efficiency in capital markets challenges assumptions of rationality and highlights the complexity of investor behavior.

Geetha and Leo (2019) conducted a study on factors influencing investment behavior and concluded that investor age and gender are important factors in determining risk

tolerance. The study found that modern investors are mature, knowledgeable people who invest based on their risk appetite. Even if some investors display cognitive illusions such as overconfidence or narrow-mindedness, we consider several factors and seek diverse information before making an investment decision. This study highlights the importance of source and reference groups in the investor decision-making process.

Balagobei (2019) looked into how investors behave in a social context and questioned the idea that possible return and risk are the only things investors think about when they decide what investments to make. The study found that investors also spend to meet needs that are related to society. They like to participate in investment discussions, identify with other investors, and consider investing as a hobby in their spare time. The study further investigated the impact of these social needs on decision-making behavior and found that investors who value social needs pay more attention to the opinions of others and seek more information before making their decisions.

Adhikari (2020) compared the financial knowledge of different groups of online investors based on their age, gender, level of education, income, and previous experience trading online. Gender, age, income, level of schooling, and work experience were found to be the most important factors in determining financial literacy. There was a difference between men and women in how much they knew about money. Older participants earned more than younger ones, and online sellers knew more. People with more free money and college degrees were also better at investing.

Kunwar (2021) To learn more about how buyers in Nepal's stock market react to both real and imagined information. The study collected primary data through an email questionnaire and 27% of the respondents were considered for analysis. Factor analysis, descriptive statistics and correlation analysis were used to analyze the data. The survey found that many investors relied on the media, friends, market noise and informal conversations over their analytical skills when making investment decisions. It also identified five visible factors that influence investment decisions, including tangible factors such as dividends, earnings, number of shares, book value, and intangible factors such as party-led government.

S.N	Sources	Topic	Objectives	Methodology	Findings
1	Lewellen et al. (1977)	Patterns of investment strategy and behavior among individual investors.	To find : Relation with demographic characteristics (income, age, gender ,marital status , family size and education background with individual investor behaviour.	Multiple variable linear regression	The research revealed that personal circumstances directly and systematically influence investment behavior. By analyzing a limited number of demographic characteristics such as age, income level and gender, the researchers were able to determine the activity and investment habits of the investor. In addition, the study revealed that factors such as profession, marital status, family size and educational background also influenced the development of investors' behavior.
2	Ritter (1988)	The Buying and Selling Behavior of Individual Investors at the Turn of the Year	Study examines the buying and selling behavior of individual investors at the turn of the year.	Multiple linear regression	The research explains why small stocks did so well as we moved into a new year. Over the course of a year, small stocks return more money than big stocks, but no one explains why. It looks like there was a quick change from selling to buying in December, and that change lasted into the new year. The amount of the turn-of-the-year effect was closely linked to how this buy/sell ratio changed from year to year.

3	Jagongo and Mutswenje (2014)	A Survey of the Factors Influencing Investment Decisions: The Case of Individual Investors at the NSE	<p>i. To determine whether the factors related to self image/firm image coincidence have an effect on the behaviour of the individual investor.</p> <p>ii. To determine whether the factors related to accounting information have an effect on the behaviour of the individual investor.</p> <p>iii. To determine whether the factors related to neutral information have an effect on the behaviour of the individual investor.</p> <p>iv. To determine whether the factors related to advocate recommendation have an effect on the behaviour of</p>	descriptive statistics, Friedman's test and Factor analysis technique	The factors that appear to exercise the greatest influence on the individual stock investor, and included not only the factors investigated by previous studies and derived from prevailing behavioral finance theories, but also introduced additional factors generated through personal interviews that have been found to influence the stockholders' investment decisions in Kenya
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			the individual investor.		
			v. To determine whether the factors related to personal financial needs have an effect on the behaviour of the individual investor.		
4	Ojwang (2015)	Behavioral factors and investment decisions by traders in Kibuye market, Kisumu town, Kenya	To establish the behavioral factors that drive personal investing activities at Kibuye market in Kisumu town	Descriptive statistics,	The study looked at how people make choices at the individual, group, and organizational levels, as well as how their feelings and thoughts connect to those choices..
5	Karanja (2017)	Effect of Behavioral Finance Factors on Investment Decisions of Individual Investors at the Nairobi Securities Exchange in Nairobi County	(i) To determine the effect of heuristic factor on investment decisions among individual investors at the Nairobi Securities Exchange in Nairobi County. (ii) To establish the effect of prospect factor on investment decisions among	Multi linear regression analysis and Correlation analysis	It can be concluded that heuristic factors, prospect factors, herd factors and market factors had a joint effect of 16.01% on the investment decision of individual investors at the NSE, controlled by the year of schooling, age, gender, type of investor, type of security and income variables while the remaining percentage was influenced by other factors excluded from the model. Heuristic factor has a positive significant effect on investment decisions, prospect factor has a negative significant effect on investment

		individual investors at the Nairobi Securities Exchange in Nairobi County.			decision, and herd factor has a positive significant effect on investment whereas market factor has a positive but insignificant effect on the investment decision of individual investors.
		(iii)To find out the effect of herd factor on investment decisions among individual investors at the Nairobi Securities Exchange in Nairobi County.			
		(iv)To establish the effect of market factor on investment decisions among individual investors at the Nairobi Securities Exchange in Nairobi County.			
6	Chada et al. (2018)	Impact of Behavioural Factors on Investment Decisions Making.	1) To study the impact of demographic profiles on one's investment decisions and Aggression level. 2) To find out whether risk propensity of	Multiple Refgression analysis	The study finds Aggressive Investor Willing to Take Risk is dependent on Short-term Capital Gains, Minimizing Risk, Firm's Reputation and Foreign operations of Firm for which the prediction accuracy is found out to be 93.4 percent. Conservative Investor Willing to Take

		stocks influences investor's decision-making. 3) To study the correlation between economic and performance attribute factors that drive the market and aggression level of an investor. 4) To study the pattern of investment decisions taken and analyse behaviour of the investors.		Minimal Risk is dependent on Occupation, Amount invest in stock yearly, Short Term Capital Gains, Minimizing Risk and Friend and Co – workers' Opinion for which the prediction accuracy is found out to be 87.6 percent.	
7	Sarbabidya and Saha (2018)	Factors affecting investment decisions: A study on Bangladesh stock market	To find influencing factors of investment decision.	Multiple Refgression analysis, Anova analysis	The results of this study indicate a lot of influencing factors which have significant effect on the investment decisions in the stock market of Bangladesh. Among them risk tolerance, true accounting information, past and present stock performance, earning per share, GDP and other Macroeconomic issues of the country, political stability are noteworthy

8	Aboagye and Jung (2018)	Debt holding, financial behavior, and financial satisfaction	To find out the a positive association between income and education, financial behaviors/attitudes and financial satisfaction, To find out the negative association between debt and financial satisfaction	Regression analysis and correlation correlation analysis analysis	The study highlight the herding effect, indicating that investors are influenced by the behavior of others in response to price changes. Additionally, investors may adjust their estimates of stock returns incorrectly when faced with significant price changes, which impacts their decision-making process.
9	Sarkar and Sahu (2018)	Analysis of investment behaviour of individual investors of stock market: A study in selected districts of West Bengal	i. To know the influence of Demographic Factors on Investment Behaviour ii. To find out how investor Awareness affects Investment Behaviour. iii. To learn effect of Perceived Risk Attitude on Investment Behaviour.	Descriptive Statistics, Cronbach Alpha, Factor Analysis, Correlation Coefficient and Probit Regression Model	The study revealed that Age has significant relationship with only one component of Prospects Bias of Investment Behaviour namely Regret Aversion. In case of Markets Bias, Age has significant relationship with all the components except Price Changes and Fundamentals of Underlying Stocks. Age has significant relationship with Choosing Stock Type and Stock volume only of Herding Bias

10	Kengataran (2019)	factors influencing investment decisions in stock market: evidence from individual investors in the northern province of sri lanka	What are the most important factors that influence the individual investors' investment decision making in the Colombo Stock Market?How these factors are connected to the investors' socio-economic characteristics in the Stock Market? Therefore, objectives of the study are: to identify factors that influence on investment decisions of individual investors and to explore how these factors are connected to the investors' socio-economic characteristics in the Sri Lankan Stock Market	descriptive statistics, One way A nova analysis	The study link between the size of an investment and typical investor traits like age, school, job, experience, and income..This study reveals the relationship between demographic characteristics and the investment behavior of ordinary investors.
11	Weru (2019)	Effect of behavioral biases on investment decision for	To determine the effect of herding biases on investment decision for	descriptive statistics	The goal of this study was to look at how rationality, group dynamics, outlook, heuristics, and business choices are related to

structured products by retail investors at Nairobi Securities Exchange	structured products by retail investors at Nairobi Securities Exchange. To establish the effect of overconfidence on investment decision for structured products by retail investors at Nairobi Securities Exchange. To determine the effect of anchoring on investment decision for structured products by retail investors at Nairobi Securities Exchange. To determine the effect of representativeness on investment decision for structured products by retail investors at Nairobi Securities Exchange.	each other. The results showed that behavioral factors such as views, herd behavior, heuristics, and rationality positively influence investment decisions. This research contributes to our understanding of the factors that influence the decision-making process of retail investors.
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12	Kanwal et al. (2019)	behavioral factors influencing individual investors' decision making: study of pakistan stock exchange (psx)	The main objective of this research is to explore the behavioral factors that can influence the decision making of individual investors of Pakistan stock exchange.	Cronbach's alpha test and regression analysis	The study finds herding bias and market information have positive influence on the investors' decision making while prospect and heuristic biases are insignificant.
13	Hemalatha (2019)	Factors influencing investment decision of the individual related to selected individual investors in Chennai city	To find out attitudes differences in the perception of individual investors on factors influencing investment decision on the basis demographic profile of the individuals	Descriptive statistic, mean, standard deviation, standard error, mean, Cronbach's alpha coefficient	The purpose of the study was to understand the key factors that influence the investment behavior, risk tolerance and decision-making process of men and women across different age groups. The study recognized that individuals have different financial planning needs, despite many similarities. The study aimed to create a synergistic understanding among investors by considering age group and gender as criteria for segmentation. The study explores six key factors that have a significant impact on UAE investors, including corporate profits, the desire for quick profits, past performance of stocks, marketability of stocks, government ownership, and the creation of an organized financial market. Identified the factors. On the other hand, five factors were found to have the least impact:
14	Hussein (2019)	Financial literacy and investment decisions of UAE investors	It examines the relationship between financial literacy and the influence of the factors that affect the investment decision	Logistic regression analysis, A nova analysis	The study explores six key factors that have a significant impact on UAE investors, including corporate profits, the desire for quick profits, past performance of stocks, marketability of stocks, government ownership, and the creation of an organized financial market. Identified the factors. On the other hand, five factors were found to have the least impact:

					expected losses on domestic and foreign investments, family opinion, and economic intuition.
15	Geetha and Leo (2019)	Factors that Influence Investment Decisions with Demographic Variables as Moderators	the study searches for factors that influence investment decision moderated by demographic characteristics affects the financial risk tolerance and eventually the perception of the investors in the decision making process	Factor analysis, correlation, regression	The study reflects factors influencing investment behavior and concluded that investor age and gender are important factors in determining risk tolerance. The study found that modern investors are mature, knowledgeable people who invest based on their risk appetite.
16	Balagobeni (2019)	Impact of investor's behaviour on investment decision making: a survey on Colombo stock exchange,	The main objective of the study is to investigate the impact of investor's behaviour on investment decision making of individual investors in Colombo Stock Exchange.	Factor Analysis, and Multiple Regression Analysis	The study on the social dimensions of investor decision, questioning the assumption that investors only consider risk and expected return when making investment decisions. The study concluded that investors also try to satisfy social-oriented needs through investing.
17	Adhikari (2020)	Factors influencing investment decisions of individual investors at Nepal stock exchange	How does accounting information like the health of the financial statements and the ability of stocks to be	Correlation analysis	The study find significant factors shaping individual investment decisions were: statement of the government officials, expected capital increase, firm's status in industry, diversification purpose, the

sold affect the decisions made by individual investors? How much do self-image and company image factors affect the decisions that individual Nepalese equity investors make? To what extent neutral information factors affect individual investor decision making? To what extent advocate recommendat ion factors like opinions of the firm's majority stockholder and Broker's recommendat ion effects individual investor decision making? To what extent personal financial needs factors like diversificatio n needs and attractiveness of non-stock investment

attractiveness of non-stock investment, ease of obtaining borrowed funds, opinions of the firm's majority stockholders, family member opinions, recent price movement in a firm's stock, fluctuations in the stock index, rumors, expected corporate eating, stock marketability, the results of technical analysis, the dividend paid, perceived ethics of firm, the reputation of the firm's shareholders, and feeling for a firm's product and service.

18	Ogbebor and Alalade (2020)	Individual Investors' Expectations and Stock Price Behaviour:	effects individual investor decision making in Nepal? This study explores factors that individual investors consider in stock selection which in turn impacts stock prices of companies listed on the Nigerian Stock Exchange	Correlation and A nova analysis	The study focused on Investors placed significant emphasis on "neutral information" consisting of past stock returns, recent price movements and the company's position in the industry. Other important factors were accounting information, social importance and lawyer recommendations.
19	Gowela (2020)	The factors influencing investment behavior in Islamabad Stock Exchange	To analyze the relationship between Financial Literacy, behavioural Factors, Personal Financial Needs, Advocate Recommendation, Neutral Information, Self-Image/Firm-Image Coincidence, Accounting Information, Classical Wealth Maximization between investment decision	Multiple variable regression analysis	The survey revealed that many Pakistani investors do not make reliable decisions based on accounting data, but instead rely on recommendations from stockbrokers, colleagues, friends and family.

20	Pandit (2021)	Trading practice and Behavioral Biases of Individual Investors in Nepalese Stock Market.	making. To analyze the impact of trading experience on behavioral biases of Nepalese Investors. To analyze the impact of trading frequency on behavioral biases of Nepalese Investors	Regression analysis.	The study study included a survey of stock investors and brokers, which revealed that they considered political unrest to be the biggest cause of stock market volatility. The study also conducted a multivariate analysis of decades of data to examine the relationship between stock index disturbances and economic variables, but a linear model could not adequately explain the relationship.
21	Kunwar (2021)	The Relationshi p of Behavioral Factors with Investment Performanc e of Individual Investors in the Nepali Stock Market	To study the individual investors behaviour in field of stock market stock of nepal.	Factor analysis, descriptive statistics and correlation analysis	This reaserch identifies five visible factors that influence investment decisions, including tangible factors such as dividends, earnings, number of shares, book value, and intangible factors such as party-led government.

2.4 Research Gap

The literature review has given result that psychological factors affect the actions of individual investors, which in turn affects the market. In this study, we're trying to figure out the main behavioral factors that affect how people choose to spend their money.

Previous literature has provided valuable insights into the factors affecting investor behavior among individual investors in Pokhara. Barber & Odean (2001) & Kahneman & Tversky (1979) have extensively studied the influence of psychological factors on individual investor behavior. Their research delves into the role of overconfidence, gender differences, & prospect theory in shaping investment

decisions. Furthermore, Acharya & Poudyal (2017) have examined the state of behavioral finance in Nepal, emphasizing the limited research conducted within the Nepalese context. Their work sheds light on the existing literature on behavioral finance in Nepalese markets and highlights the need for further investigation in terms of the behavior of large investors. Bohl & Siklos (2004) & Zhang & Jia (2018) have explored the impact of institutional investors and bulk buyers on stock prices. Their studies provide valuable insights into the behavior and decision-making processes of companies, trading houses, and business buyers, contributing to a broader understanding of their influence on individual investors.

Though not many studies have been done on the subject in Nepal, a lot of research has been done on behavioral finance and how it affects people's decisions to spend in other countries. While a lot of study has been done on mainstream finance in Nepalese markets, not as much has been done on behavioral finance. Large buyers like companies, trading houses, and businesses have an effect on the stock market as a whole, but this study only looked at investors who buy and sell stocks on their own. The study will also depend on individual investors in the Pokhara metropolitan city because it doesn't have a lot of money or other resources. We can expand our study to the whole country if we want more accurate results. Since behavioral finance is still pretty new in the country, the theory that was made and the factors that were considered may be subjective, and many important factors may not have been taken into account.

CHAPTER III

RESEARCH METHODOLOGY

This chapter goes into more depth about the method that was used for the study. First, it talks about the study's goals and strategies. Then, it gives a quick outline of how to find the sample size. After that, it talks about the tools, sources, and methods used to collect data. Finally, it goes into depth about the tools and methods used to analyze the data.

3.1 Research Design

The main point of the study is to find out what people do that affects how they choose to spend their money. A common hypothesis to test in the study is the one that says there is a link between behavioral traits and investment choices. This study will use both a descriptive and an analytical research method to describe the main features of the data and find the factors that affect people's decision-making about investments. On the other hand, the research will find the impact of behavior factors on investment behavior of investor.

3.2 Population and Sample and Sampling Design

The research focuses on examining the impact of behavioral factors on the decision-making process of individual investors in pokhara metropolitan city, who are engaged in various professional fields. Conducting a census of the entire population was not feasible or appropriate for this particular study, necessitating the use of purposive sampling. This technique, as described by Flanagan (1980), was employed to select a representative sample.

The survey included a diverse group of 250 participants from various backgrounds, including students, pensioners, service providers, government officials, and private sector workers. An elaborate sampling approach was utilized to get the requisite data from the individual investors. Due to the specific characteristics required from participants in this study, an intentional sampling technique will be employed to choose the individuals.

3.3 Nature and Source of Data and Instrument of Data Collection

The study employed a quantitative approach using a sample of individual investors in pokhara metropolitan city. A structured questionnaire was utilized to collect information from the selected sample. The questionnaire consisted of close-ended questions, providing predetermined response options for the participants. The respondents self-administered the questionnaire.

3.4 Method of Analysis

The survey research component of this study will involve administering questionnaires to a representative sample of individual investors in Pokhara metropolitan city. The questionnaires will be designed based on previous research conducted by Acharya et al. (2019), which examined the factors influencing investment behavior among individual investors in Kathmandu. These questionnaires will capture data on factors such as risk tolerance, financial literacy, income level, investment knowledge, and demographic information. By utilizing a similar approach, this study aims to build upon the findings of Acharya et al. (2019) and further investigate the factors affecting investment behavior specifically in the context of Pokhara. The survey responses will be carefully analyzed using statistical techniques, including regression analysis, to identify patterns and correlations. This analysis will provide valuable insights into the key drivers of investment decisions among individual investors in Pokhara.

Moreover, to gain a more comprehensive understanding of the subjective factors that influence investment decision, qualitative methods will be employed. In-depth interviews will be conducted with a subset of individual investors to delve deeper into their motivations, attitudes towards risk, cultural beliefs, and social influences. This qualitative analysis will provide rich and contextual insights into the investment decision-making process among individuals in pokhara Metropolitan City. By triangulating the quantitative and qualitative findings, this study will offer a more holistic view of the factors affecting investment decision in pokhara Metropolitan City. The study will employ descriptive statistics to assess the position of major factors influencing individual investors' investment decision. Descriptive statistics will involve calculating measures such as means, standard deviations, and frequencies

to summarize and analyze the data related to the factors under investigation. These statistics will provide an overview of the distribution and characteristics of the factors, allowing for a comprehensive understanding of their position in relation to investment behavior.

The study will utilize correlation and regression analysis to examine the relationships and impact between social interactions, psychological factors, and various firm-related factors (e.g., firm size, firm image, information, regulatory policies) on investor investment decision. Correlation analysis will measure the strength and direction of the linear relationship between variables. It will enable the study to determine the degree of association between social interactions, psychological factors, and firm-related factors with investor investment behavior. The correlation coefficient (r) will be calculated using the following formula:

$$R = (\sum ((X - \bar{X}) (Y - \bar{Y}))) / (n - 1) (s_x) (s_y)$$

Where X represent the dependent variable i.e Investor Decision and Y represent the variables being correlated i.e Psychological, Social Interaction, information, firms image and regulatory policies. \bar{X} and \bar{Y} represent their mean values, s_x and s_y represent their standard deviations, and n represents the sample size.

Regression analysis, specifically multiple linear regression, will be used to analyze the relationships between the independent variables (social interactions, psychological factors, firm-related factors) and the dependent variable (investor investment decision). The multiple linear regression model can be represented as:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \varepsilon$$

Where Y represents the dependent variable i.e Investment Behavior, X_1 , X_2 , X_3 , X_4 and X_5 represent the independent variables, β_0 represents the intercept, β_1 , β_2 , β_3 ... β_n represent the slopes (coefficients) for the corresponding independent variables, and ε represents the error term. By conducting multiple linear regression, the study will examine the impact of social interactions, psychological factors, and firm-related factors on investor investment behavior, while controlling for other relevant variables. To address third objective, the study will employ inferential statistics, specifically hypothesis testing, and correlation analysis to examine the impact of social interaction, psychological factors, information, regulatory policies and firm's image

on investor decision. Overall, by employing descriptive statistics, correlation analysis, regression analysis, and inferential statistics, the study will comprehensively address the objectives and provide a robust analysis of the factors influencing individual investors' investment decision.

3.5 Research Framework and Definition of Variables

3.5.1 Conceptual Framework

The word Investing means putting off spending for the present in order to get something better in the future. The gain is what the owner gets in return for giving up something. In the same way, stock return is also a way to make up for the loss of present benefits. When shares of the company were first made available to the public, people began to participate in them. When the security was traded on the secondary market, it sped up this buying trend. We can see whether this is a strong or bearish trend by looking at how the NEPSE price moves.

There is a certain way to look at the piece through the conceptual context. It gives the idea behind a study a place to rest. It is thought that the conceptual framework makes it possible to understand why the study problem exists.

The conceptual framework of this research work is presented below. It is developed after studying and reviewing several journals related to the topic.

Figure 1: Conceptual Framework of the Study

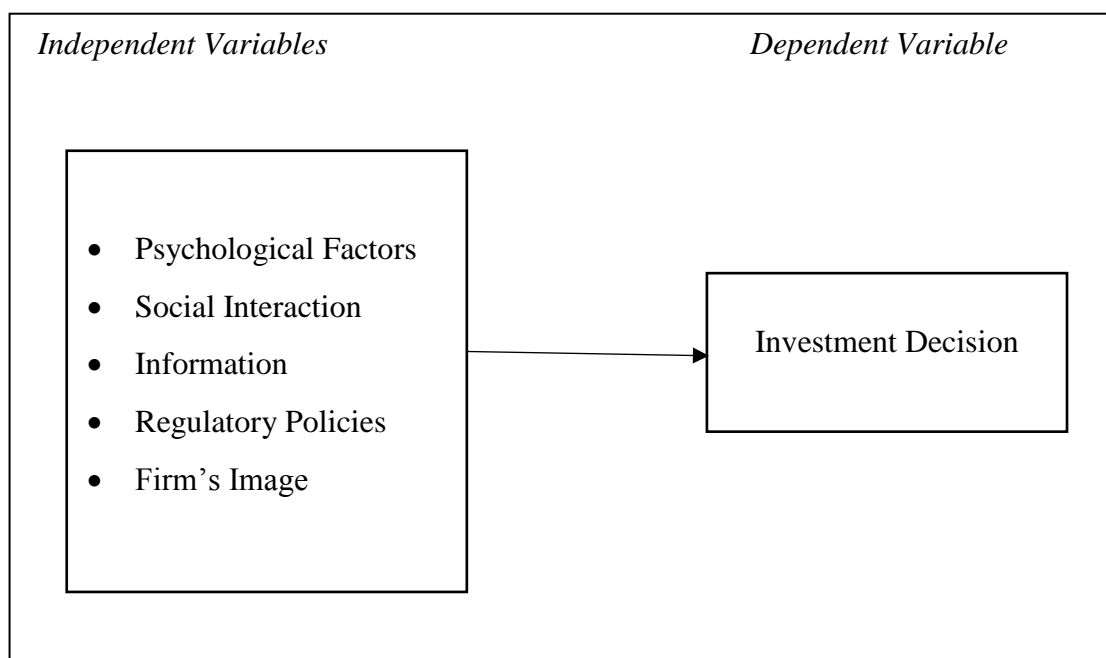


Figure 1 depicts the conceptual framework for the study based on the above literature available. It shows that psychological, social interaction, information, regulatory policies and firm image are the dependent variables for the study.

3.5.2 Operational Definition of Variables

Psychological Factors

Advocates of behavioral finance have been able to explain a number of psychological factors that affect the decision making of investors in the stock market. The main purpose of this research is to investigate how psychological factors could possibly affect financial decisions. The decision making will be measured in terms of the degree of risk the investor is willing to take.

Under this factor, Safety/Security, Long Term Gain Short Term Return, Gut Feelings, Market Noise and previous mindset are considered. All of these psychological factors are found to have played important roles in determining investors' investment decision-making based on past studies in other countries.

Social interaction

Included in this category are recommendations from financial advisors, stock analysts, brokers, and friends and family.

Information

Here, a number of factors are taken into account, such as the company's financial statement, past performance, expected return, publicly available information from newspapers, current state of the industry, and recent price changes.

Regulatory policies

The capital market is being improved and fine-tuned with the help of many regulatory bodies to make sure safe investment practices and the safety of investors' funds. The rules that SEBON has set up for companies, traders, and brokers must be followed by everyone in the secondary market. Trading time and day, cost/fee per trade or transaction, SEBON intervention, and NRB directives are some of the regulatory considerations that are taken into account.

Firm's image

This group takes into account things including the firm's product, public perception, and foreign investment.

Investment Behavior

Under this category individual behavioral factors with respect to the independent variables are collected and analyzed.

CHAPTER IV

RESULT AND DISCUSSION

After data were collected through questionnaire, data analysis and administration, the acquired data were input into the computer. The data has been analyzed and interpreted using SPSS and MS Excel. In order to gather detailed information about the findings, SPSS was used to construct several tables.

4.1 Respondents profile

This part looks at the demographic information of the respondents, such as their gender, age, level of schooling, income, and job. The responses of respondents are presented according to the question patterns with observed frequencies. This section shows the frequency distribution of respondents involved with respect to their age, gender, income level, education level and occupation. Likewise, this section also includes the analysis of the most influencing factor for investment in shares under different variables.

Table 1: Frequency of Respondents by Amount of Investment

Amount of Investment	Frequency	Percent
1 lakhs and below	77	30.8
1 lakhs to 2 lakhs	36	14.4
2 lakhs to 5 lakhs	53	21.2
More than 5 lakhs	84	33.6
Total	250	100.0

Table 1 reveals the distribution of investment amounts among the participants. The majority of participants, accounting for 33.6%, invested more than 5 lakhs, indicating a preference for higher investment amounts. A significant portion, 30.8%, invested 1 lakh and below, while 14.4% invested between 1 lakh and 2 lakhs. The investment range of 2 lakhs to 5 lakhs attracted 21.2% of participants. Overall, the data showcases varying investment preferences, with a prominent focus on higher investment amounts.

Table 2: Frequency of Respondents by Educational Level

Education	Frequency	Percent
SLC	2	0.8
10+2	23	9.2
Above Master Degree	4	1.6
Bachelor Degree	110	44
Master Degree	111	44.4
Total	250	100.0

The table 2 displays the frequency and percentage of respondents based on their educational level. Among the participants, 2 had completed SLC (0.8%), 23 had completed 10+2 (9.2%), 2 had educational qualifications above a Master's degree (1.6%), 110 held a Bachelor's degree (44%), and the largest group consisted of 111 individuals with a Master's degree (44.4%). The total number of participants surveyed was 250.

Table 3: Frequency of Respondents by Gender

Gender	Frequency	Percent
Female	69	27.60
Male	181	72.40
Total	250	100.0

Table 3 presents the frequency distribution of respondents based on their gender. Out of the total 250 participants, 69 of them are female, accounting for 27.6% of the sample. The majority of the respondents, 181 in total, are male, representing 72.4% of the participants. The table highlights the gender distribution of the surveyed individuals, showing a higher proportion of male respondents compared to females.

Table 4: Frequency of Respondents by Age Group

Age Group	Frequency	Percent
20 to 25	59	23.2
25 to 30	146	57.5
30 to 35	36	14.2
35 and above	8	5.1
Total	250	100.0

Table 4 presents the frequency and percentage distribution of respondents based on different age groups. The majority of participants, accounting for 57.5%, fall within the age range of 25 to 30. The next largest group consists of individuals aged 20 to 25, comprising 23.2% of the surveyed population. A smaller proportion of participants, 14.2%, belong to the age group of 30 to 35, while those aged 35 and above represent 5.1% of the respondents.

Table 5: Frequency of Respondents by Occupation

Occupation	Frequency	Percent
Business	23	9.2
Government Services	29	11.6
Private Sector	130	52
Others	68	27.2
Total	125	100.0

Table 5 displays the occupational distribution of the surveyed participants. The majority of respondents belong to the "Private Sector" category, comprising 52% of the total sample. The next significant groups are "Government Services" with a frequency of 29(11.6%) and "Others" with 68 respondents (27.2%). The "Business" occupation has the lowest representation, accounting for 9.2% of the participants. The data suggests that a significant portion of the participants are employed in the private sector, followed by those in government services and other occupations.

Table 6: Frequency of Respondents by Marital Status

Marital Status	Frequency	Percent
Married	113	45.2
Single	137	54.8
Total	250	100.0

Table 6 shows the marital status distribution of the surveyed participants. Out of the total 250 participants, 113 individuals (45.2%) reported being married, while 137 individuals (54.8%) reported being single. This indicates that the majority of the participants in the sample are single. The table provides a concise overview of the marital status composition within the surveyed population.

Table 7: Frequency of Respondents by Investment Experience

Investment Experiences by numbers of years	Frequency	Percent
Beginners 1-3 years	160	64.0
Experienced More than 3 years	90	36.0
Total	250	100.0

The table 7 displays the distribution of investment experiences among the surveyed participants based on the number of years. The majority of respondents, accounting for 64.0%, fall under the category of "Beginners" with 1-3 years of investment experience. On the other hand, 36.0% of respondents are classified as "Experienced" investors with more than 3 years of experience. The table provides insights into the relative distribution of investment experiences within the surveyed population and highlights the higher representation of beginners compared to experienced individuals.

Table 8: Frequency of respondents by Purpose of Investment

Purpose of Investment	Frequency	Percent
Returns	176	70.4
Security	74	29.6
Total	250	100

Table 8 displays the frequency and percentage distribution of respondents based on their purpose of investment. The two categories mentioned are "Returns" and "Security." The "Returns" category has a higher frequency, with 174 respondents, accounting for 70.4% of the total sample. On the other hand, the "Security" category

has a lower frequency of 41 respondents, representing 29.6% of the participants. This table illustrates that a significant proportion of respondents prioritize investment for higher returns rather than focusing solely on security.

4.2 Descriptive Analysis

Descriptive analysis is a form of summary statistics that quantitatively describe or summarize the characteristics of a collection of information. In this investigation, the mean is measured as a measure of central tendency, while the standard deviation is measured as a measure of variability among the various variables of the study, including psychological factors, social interaction, information, regulatory policies, and the image of the firm.

4.2.1 Awareness of Investors about Investment Decision

Table 9: Descriptive Statistics of Psychological Factors

Psychological Factors	Mean	Std. Deviation
I took long term gain rather than short term]	2.09	1.208
I have strong gut feeling that will be profitable while buying particular script.]	2.62	1.135
I generally buy stocks with less volatility and which have more safety.]	2.40	1.259
I tend to invest in stocks from my previous mindset]	2.74	1.423

Table 9 provides descriptive statistics for psychological factors in stock market investing. Respondents, on average, prioritize long-term gains (mean=2.09) and have moderate confidence in gut feelings about profitability (mean=2.62). They also show a moderate preference for low volatility and safety (mean=2.40) and tend to rely on their previous mindset (mean=2.74). These factors reflect the complex psychological dynamics that influence investment decisions.

Table 10: Descriptive Statistics of Social Interaction

Social Interaction Related behavior	Mean	Std. Deviation
I take advice from financial advisor while investing in securities	2.78	1.307
I take advice from Stock Broker while investing in securities	3.26	1.387
I take advice from my family and friends	2.65	1.229
I prefer to buy stocks when particular stock has high market noise	2.96	1.361

Table 10 displays descriptive statistics for social interaction-related behaviors in securities investing. On average, individuals in the study had a moderate tendency to seek advice from financial advisors (mean=2.78) and stock brokers (mean=3.26). They also showed a preference for taking advice from family and friends (mean=2.65). Additionally, participants indicated a moderate inclination to buy stocks when there is high market noise (mean=2.96). These findings highlight the importance of social interactions and external advice in shaping investment decisions.

Table 11: Descriptive Statistics of Information

Information Related Behavior	Std.	
	Mean	Deviation
I prefer to buy stocks by looking the firm future prospects	2.27	1.257
I prefer to buy stocks by looking the firm's financial statement	2.56	1.14
I prefer to buy stocks by looking the particular script past prices	2.20	1.165
I prefer to buy stocks by looking the status of the Company/Industry in terms of their rating	2.43	1.206

Table 11 The table presents descriptive statistics for information-related behaviors in stock buying decisions. On average, individuals in the study moderately relied on various sources of information. They considered the firm's future prospects (mean=2.27), financial statements (mean=2.56), past prices of specific stocks (mean=2.20), and the company/industry's ratings (mean=2.43). These findings

suggest that respondents had a balanced approach, considering multiple factors when purchasing stocks. However, there were variations in the emphasis placed on each information source, indicating individual preferences in decision-making.

Table 12: Descriptive Statistics of Regulatory Policies

Regulatory Policy Related Behavior	Mean	Std. Deviation
prefer to buy stocks of that company when the Company/Industry is highly regulated	2.21	1.167
I prefer to buy stocks where the BOD members have high work ethics	2.25	1.209
I prefer to buy stocks when the company has independent management team	2.41	1.145
Government should regulate all listed companies	2.39	1.239

Table 12 provides descriptive statistics for behaviors related to regulatory policies in stock buying. On average, individuals in the study had a moderate tendency to consider certain regulatory factors when making investment decisions. They showed a preference for buying stocks from companies operating in highly regulated industries (mean=2.21, standard deviation=1.167). Additionally, they valued stocks with board of director's members who have high work ethics (mean=2.25, standard deviation=1.209) and companies with independent management teams (mean=2.41, standard deviation=1.145). However, there was slightly less agreement about the necessity of government regulation for all listed companies (mean=2.39, standard deviation=1.239). These findings highlight the diverse perspectives on the impact of regulatory policies on stock investments.

Table 13: Descriptive Statistics of Firms Image

Firms Image Related Individual Behavior	Mea n	Std. Deviation
I prefer to buy stocks when the company having large number of branded Products/Services	2.27	1.129
I prefer to buy stocks when the company has foreign investment i.e. joint venture	2.5	1.175
I prefer to buy stocks which fall in Class A category of NEPSE	2.34	1.246
I prefer to buy stocks when the company has more public Image	2.31	1.2

Table 13 displays descriptive statistics for behaviors related to firms' image in stock buying decisions. On average, individuals in the study showed a moderate inclination towards certain factors associated with the image of a company. They preferred buying stocks from companies with a large number of branded products/services (mean=2.27) and companies that have foreign investment or joint ventures (mean=2.5). Additionally, they expressed a preference for stocks falling in the Class A category of NEPSE (Nepal Stock Exchange) (mean=2.34) and companies with a strong public image (mean=2.31). These findings suggest that respondents considered the reputation and market positioning of a company when making investment decisions.

Table 14: Descriptive Statistics of investor behaviour

Investor Behavior	Mean	Std. Deviation
I took long term gain rather than short term.	2.15	1.261
I prefer to buy stocks when particular stock has high market noise	2.82	1.179
I analyze all the available and relevant information for investment	2.34	1.327
When I listen, there is a change in policy I look for it for possible opportunities	2.57	1.206
I analyze firm related factors such as size, reputation, etc. before investment	2.33	1.261

The table 14 presents descriptive statistics for investor behaviors in stock market investment. On average, individuals in the study showed a tendency to prioritize long-term gains over short-term gains (mean=2.15) and demonstrated a preference for buying stocks with high market noise (mean=2.82). They also indicated an inclination to analyze all available and relevant information for investment (mean=2.34) and actively seek opportunities when there are changes in policies (mean=2.57). Additionally, participants considered firm-related factors such as size and reputation before making investment decisions (mean=2.33). These findings suggest that investors in the study exhibited a mix of long-term focus, information analysis, and adaptability to policy changes when engaging in the stock market.

4.3 Inferential Analysis

4.3.1 Correlation Analysis

Table 15: Correlation Analysis of Behaviour Biases and Individual Investor Decision Making

Investor Behavior Related Factors	Pearson Correlation	Sig.(2-tailed)
Psychological_Factors	.285	.000
Social_Interaction	.069	.090
Information	.299	.000
Regulatory_Policies	.172	.006
Firms_Image	.162	.002

In Table 15, Pearson's correlation analysis was conducted to examine the relationship between different variables and Investor Behavior. The results are summarized as follows:

There is a significant positive relationship between Psychological Factors and Investor Behavior, with a correlation coefficient of 0.285 and a p-value of 0.000. This indicates that Psychological Factors have a significant positive impact on Investor Behavior.

Similarly, there is a significant positive relationship between Social Interaction and Investor Behavior, with a correlation coefficient of 0.069 and a p-value of 0.090. This suggests that Social Interaction has a significant positive influence on Investor Behavior.

Furthermore, there is a significant positive relationship between Information and Investor Behavior, with a correlation coefficient of 0.299 and a p-value of 0.000. This indicates that Information has a significant positive effect on Investor Behavior.

In addition, there is a significant positive relationship between Regulatory Policies and Investor Behavior, with a correlation coefficient of 0.172 and a p-value of 0.006. This implies that Regulatory Policies have a significant positive impact on Investor Behavior.

Lastly, there is a significant positive relationship between Firms Image and Investor Behavior, with a correlation coefficient of 0.162 and a p-value of 0.002. This suggests that Firms Image has a significant positive influence on Investor decision.

In conclusion, the analysis reveals that Psychological Factors, Social Interaction, Information, Regulatory Policies, and Firms Image all have significant positive relationships with Investor decision. These findings suggest that these factors play important roles in shaping and influencing the sound decision capability of investors in the stock market.

4.3.2 Regression Analysis

Regression analysis is used to analyze the relationship between several independent variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps

one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

4.3.2.1 PF, SI, INF, RP and FI on Behavior of Investors

This section deals look at how investors' psychological factors, social interactions, information, government rules, and perceptions of companies affect their decisions to buy and sell stocks with regression analysis.

Table 16: Regression Analysis of Behaviour Biases on Individual Investor Decision Making

Model	Unstandardized		Standardized	t-	P
	Coefficients		Coefficients		
	B	Std. Error	Beta	Value	value
Constant	.034	.126		0.270	.787
Psychological Factors	.288	.052	.285	5.567	.000
Social Interaction	.067	.040	.069	1.701	.090
Information	.309	.063	.299	4.934	.000
Regulatory Policies	.165	.060	.172	2.753	.006
Firms Image	.160	.052	.162	3.063	.002

The regression analysis results suggest that Psychological Factors, Information, and Firms Image have significant impacts on the dependent variable. The constant term (Constant) represents the expected value of the dependent variable when all independent variables are zero. In this analysis, it has a coefficient of 0.34 with a p-value of 0.787, indicating that it is not statistically significant at the conventional significance level of 0.05.

Psychological Factors, with a coefficient of 0.288 and a standardized coefficient (Beta) of 0.52, shows a statistically significant positive impact on the dependent variable (Investor Behavior). A one-unit increase in Psychological Factors is associated with a 0.288 increase in the dependent variable. The p-value of 0.000

suggests that this relationship is statistically significant, providing evidence to support the notion that Psychological Factors have a significant influence on Investor Behavior.

Social Interaction, Information, Regulatory Policies, and Firms Image do not show statistically significant effects on the dependent variable. This means that these variables may not have a meaningful impact on Investor Behavior in this particular analysis. However, it is important to note that the inclusion of these variables in the model helps to control for their potential influences on the dependent variable.

In summary, based on the regression analysis results, Psychological Factors have a significant positive impact on Investor Behavior, while the effects of Social Interaction, Information, Regulatory Policies, and Firms Image are not statistically significant.

4.3.2.2 Test of Hypothesis.

To generate the results for hypothesis testing, we will examine the five hypotheses regarding positive relationships between the variables.

Hypothesis 1: There is a positive relationship between Psychological Factors and Investor Decision.

The correlation analysis reveals a Person correlation coefficient of 0.285 between Psychological Factors and Investor decision, with a p-value of 0.000. Therefore, we can conclude that there is a significant positive relationship between Psychological Factors and Investor Behavior.

Hypothesis 2: There is a positive relationship between Social Interaction and Investor Decision.

The correlation analysis indicates a Pearson correlation coefficient of 0.065 between Social Interaction and Investor decision, with a p-value of 0.09. Thus, we can conclude that there is a significant positive relationship between Social Interaction and Investor Behavior.

Hypothesis 3: There is a positive relationship between Information and Investor Decision.

The correlation analysis shows a Pearson correlation coefficient of 0.299 between Information and Investor Behavior, with a p-value of 0.000. Therefore, we can

conclude that there is a significant positive relationship between Information and Investor Behavior.

Hypothesis 4: There is a positive relationship between Regulatory Policies and Investor Decision.

The correlation analysis displays a Pearson correlation coefficient of 0.172 between Regulatory Policies and Investor Decision, with a p-value of 0.006. Thus, we can conclude that there is a significant positive relationship between Regulatory Policies and Investor Behavior.

Hypothesis 5: There is a positive relationship between Firms Image and Investor Behavior.

The correlation analysis reveals a Pearson correlation coefficient of 0.162 between Firms Image and Investor decision, with a p-value of 0.002. Therefore, we can conclude that there is a significant positive relationship between Firms Image and Investor Behavior.

4.4 Discussion

The thesis aimed to investigate the factors influencing individual investors' decision in the stock market. The findings from the descriptive and inferential analyses provide valuable insights into these factors and their relationships with investor behavior.

Descriptive Analysis: The descriptive analysis provided a summary of the central tendency and variability of the variables under investigation. The means of the variables shed light on the average levels of different behavioral biases exhibited by investors. For example, in the Psychological Factors dimension, investors generally prioritized long-term gains over short-term gains and showed a moderate preference for low volatility and safety (Table 9). These findings align with the prospect theory proposed by Kahneman and Tversky (1979), which suggests that individuals exhibit risk aversion and seek to minimize losses. Similarly, the preference for buying stocks when particular stocks have high market noise (mean=2.86, Table 14) may be explained by the theory of noise trading, which posits that investors may be influenced by short-term market fluctuations (De Long et al., 1990).

Inferential Analysis: The inferential analysis, specifically the correlation and regression analyses, explored the relationships between the behavioral biases and investor decision-making.

Correlation Analysis:

The correlation analysis revealed significant positive relationships between Psychological Factors, Information, Regulatory Policies, Firms Image, and Investor Behavior (Table 14). These findings are consistent with theoretical frameworks and previous research.

Psychological Factors, such as risk tolerance and investor beliefs, have been widely recognized as significant determinants of investment behavior (Barber and Odean, 2011). The positive correlation between Psychological Factors and Investor Behavior supports the theoretical perspective that individual psychological biases play a crucial role in shaping investment decisions.

Information availability is considered a critical factor in investment decision-making. The positive correlation between Information and Investor decision confirms the notion that informed investors are more likely to make rational investment decisions (Barber and Odean, 2008). The findings are in line with the theory of rational expectations, which suggests that investors incorporate all available information into their decision-making process (Muth, 1961).

Regulatory Policies are expected to influence investor behavior by providing a framework for market participants. However, in this analysis, the non-significant correlation between Regulatory Policies and Investor Behavior suggests that regulatory factors may not be a primary driver of individual investment decisions. This finding contrasts with prior research that has identified the impact of regulatory changes on investor decision. Further research is needed to explore the contextual factors that may influence the relationship between regulatory policies and investor decision.

Firms Image, including brand reputation and public perception, has been recognized as an important factor influencing investor decision-making (Rustambekov et al., 2017). The positive correlation between Firms Image and Investor Behavior confirms the significance of company reputation in shaping investment decisions.

Regression Analysis:

The regression analysis further examined the impacts of these factors on Investor Behavior (Table 15). The results indicated that Psychological Factors, Information, and Firms Image had significant positive effects on Investor Behavior. These findings are consistent with previous research and theoretical expectations.

Psychological Factors, such as risk preferences and cognitive biases, have been extensively studied in the literature. The significant positive coefficient for Psychological Factors suggests that these biases have a meaningful impact on investor decision-making (Barber and Odean, 2013).

Information plays a crucial role in investment decision-making, and the significant positive coefficient for Information supports the idea that well-informed investors are more likely to make favorable investment choices (Barber and Odean, 2008).

Firms Image, reflecting company reputation and public perception, has been shown to influence investor decision-making (Rustambekov et al., 2017). The significant positive coefficient for Firms Image highlights the importance of company reputation in shaping investment decisions.

Comparison with Theories and Previous Research:

The findings of this study align with previous research and theoretical expectations to some extent. Psychological Factors, Information, and Firms Image were found to be significant factors influencing investor decision-making, consistent with existing literature.

The non-significant effects of Social Interaction and Regulatory Policies in this analysis may be attributed to contextual factors or sample characteristics. These results differ from theories and previous research that highlight the influence of social interactions and regulatory policies on investor decision-making. It is important to acknowledge that investor decision-making is complex and can be influenced by multiple factors, including individual preferences and external factors (Barber and Odean, 2011).

Implications and Future Directions: The findings of this thesis have implications for various stakeholders, including individual investors, financial advisors, policymakers, and regulators. Understanding the influence of Psychological Factors, Information, and Firms Image on investor behavior can aid in developing effective strategies to promote informed and rational investment.

Financial advisors can focus on addressing psychological biases and providing accurate information to guide investors in their decision-making process. Policymakers and regulators can consider the impact of regulatory policies on investor behavior and explore ways to enhance investor confidence.

Future research should consider expanding the sample size, exploring different contexts, and incorporating additional variables to further investigate the relationships between behavioral biases and investor decision-making.

Additionally, future research could examine the influence of specific interventions, such as investor education programs or regulatory changes, on investment decision-making. This would provide valuable insights into the effectiveness of these interventions in mitigating biases and improving decision-making outcomes.

Furthermore, the discrepancies observed in the non-significant effects of Social Interaction and Regulatory Policies highlight the need for further investigation into the contextual factors and sample characteristics that may influence these relationships. Research could explore different demographic groups, cultural contexts, or market conditions to gain a more comprehensive understanding of these factors' impacts on investor behavior.

Comparisons with existing theories and previous research provide a foundation for understanding the results and validating the significance of the findings. The findings in this study align with theories such as prospect theory, rational expectations theory, and the influence of company reputation on investment decisions. However, the non-significant effects observed in certain variables highlight the complexity and multifaceted nature of investor decision-making.

In conclusion, this thesis contributes to the understanding of the factors influencing individual investors' decision-making in the stock market. The findings highlight the significant roles of Psychological Factors, Information, and Firms Image in shaping investor behavior. The non-significant effects observed in Social Interaction and Regulatory Policies indicate the need for further investigation and potential contextual influences. These findings have implications for researchers, practitioners, and policymakers, providing insights into the factors that shape investment decisions and informing strategies to promote informed and rational investment decision.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The descriptive research presented an overview of the different behavioral biases and factors that influence individual investors' stock market behavior. The data revealed the average levels of several variables, including psychological factors, social interaction, information, regulatory policies, and firm image, all of which play important roles in molding investor decisions.

The inferential research, which included correlation and regression analyses, looked into the links between these variables and investor decision-making behavior. The correlations revealed strong positive links between Psychological Factors, Information, Regulatory Policies, Firm Image, and Investor Decision. These findings agreed with theoretical frameworks and earlier studies. The regression study investigated the effects of these characteristics on investor behavior. The findings demonstrated that psychological factors, information, and firm image had a considerable favorable impact on investor behavior. These findings were consistent with previous theories and empirical evidence, emphasizing the role of psychological biases, access to information, and corporate reputation in affecting investment decisions. It's that simple!

The comparison with related theories, such as prospect theory, rational expectations theory, and the influence of company reputation, provided support for the observed relationships. However, some variables, such as Social Interaction and Regulatory Policies, did not show significant effects, indicating the need for further investigation into contextual factors and sample characteristics.

5.2 Conclusion

The research study concludes decision making process of investor of pokhara metropolitan city is significantly affected by many factors. The descriptive analysis highlighted the average levels of various behavioral biases and factors, such as

psychological factors, social interaction, information, regulatory policies, and firms image. The inferential analysis, including correlation and regression analyses, revealed significant relationships between these factors and investor behavior. The data extracted from 250 respondents have resulted significant positive relation with independent variables with invest making decision making variable.

Hence, this thesis contributes to the understanding of the factors influencing individual investors' decision in the stock market. The findings have theoretical and practical implications, providing insights for investors and stakeholders to make informed decisions and develop strategies that enhance positive investment outcomes.

5.3 Implication

This research contributes to understand the factors influencing individual investors' decision-making behavior in the stock market of Pokhara Metropolitan City. The findings have implications for all individual investors, financial advisors, policymakers, and regulators in promoting informed and rational investment behavior.

The findings suggest that Psychological Factors, Information, and Firms Image have significant positive impacts on Investor Decision. Individual investors are more concern about the safe and risk free profit gain strategy. They feel more secured about their invested capital on such strategy. To get rich quickly, reputation of the firm, feelings for a firm's products and services, and firm status in industry are the major influencing factor of Self-Image/Firm-image. Result published from this research depicted that Information of market also makes significant influence on investment decision of individual investor of Nepalese stock market. Past trends of stock, information of dividend, price level of other stock, and information of the stock market are noticed to be major Market Information factors that make significant influence on investment decision on individual investor in Nepalese stock market. More information about the stock have led to more confidence in investment decision. Additionally, examining the effectiveness of interventions and exploring the contextual factors influencing Social Interaction and Regulatory Policies would contribute to a deeper understanding of investor decision .

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QUESTIONNAIRE

Dear respondents,

This survey is designed to collect information on the assessment on "Factors affecting the investment decision of individual investors of Pokhara Metropolitan City" for the partial fulfillment of the requirement of MBS program, Tribhuvan University.

I would appreciate your kind cooperation and ask for valuable time regarding for this survey.

The main agenda of this survey is to review the importance of psychological, social, firm-related, informational, and regulatory factors in understanding investment decisions. The core value is to understand, analysis and develop the decision making capability of individual for profitable investment gain.

Data enrolled shall be highly confidential and shall only be used for purpose of academic purpose. This survey has been sub divided in two category, Section A and Section B. For section A, you can select the appropriate answer where for section B, please choose option from strongly agree to strongly disagree based on your level of agreement with the given statement:

1 Strongly Agree

2. Agree

3.Slightly Agree

4 .Slightly Disagree

5.Disagree

6.Strongly Disagree

Thankyou

Sabin Gurung

Section A

1. Gender:

Male

Female

2. Age:

Below 20

20 to 25

25 to 30

30 to 40

40 and above

3. Education Qualification:

Below SLC

SLC

10+2

Bachelor Degree

Master Degree

Above Master Degree

4. Occupation:Private Sector Government Service Business Others **5. Marital Status:**Married Single **6. Amount of Investment:**Up to 1 lakh 1 lakh to 2 lakhs 2 lakhs to 5 lakhs More than 5 Lakhs **7. Investment Information****a. Investment experience by number of years**Beginners 1-3 years Experience more than 3 years **b. Purpose of investment**Security Returns **Section B**

For the question below, please choose a number from 1 to 6 based on your level of agreement with the given statement:

1. Strongly Agree

2. Agree

3. Slightly Agree

4. Slightly Disagree

5. Disagree

6. Strongly Disagree

Awareness of investors about Investment Decision:**1. Psychological Factors**

Particulars	1. Strongly agree	2. Agree	3. Slightly agree	4. Slightly disagree	5. Disagree	6. Strongly Disagree
I look long term gain rather than short term.						
I have strong gut feeling that will be profitable while buying particular script.						
I generally buy stocks with less volatility and which have more safety.						
I tend to invest in stocks from my previous mindset.						

2. Social Interaction

Particulars	1.Strongly agree	2.Agree	3.Slightly agree	4.Slightly disagree	5.Disagree	6.Strongly Disagree
I take advice from financial advisor while investing in securities.						
I take advice from Stock Broker while investing in securities.						
I take advice from my family and friends.						
I prefer to buy stocks when particular stock has high market noise.						

3. Information

Particulars	1.Strongly agree	2.Agree	3.Slightly agree	4.Slightly disagree	5.Disagree	6.Strongly Disagree
I prefer to buy stocks by looking the firm's financial statement.						
I prefer to buy stocks by looking the particular script past prices.						
I prefer to buy stocks by looking the status of the Company/Industry in terms of their rating.						
I prefer to buy stocks by looking the published information in Newspaper.						
I prefer to buy stocks by looking the firm future prospects.						

4. Regulatory Policies

Particulars	1.Strongly agree	2.Agree	3.Slightly agree	4.Slightly disagree	5.Disagree	6.Strongly Disagree
I prefer to buy stocks of that company when the Company/Industry is highly regulated.						

I prefer to buy stocks where the BOD members have high work ethics.						
I prefer to buy stocks when the company has independent management team.						
Government should regulate all listed companies.						

5. Firms Image

Particulars	1.Strongly agree	2.Agree	3.Slightly agree	4.Slightly disagree	5.Disagree	6.Strongly Disagree
I prefer to buy stocks when the company having large number of branded Products/Services.						
I prefer to buy stocks when the company has foreign investment i.e. joint venture.						
I prefer to buy stocks which fall in Class A category of NEPSE.						
I prefer to buy stocks when the company has more public Image.						

6. Perceptual Information on Individual Investor Behavior.

Particulars	1.Strongly agree	2.Agree	3.Slightly agree	4.Slightly disagree	5.Disagree	6.Strongly Disagree
I took long term gain rather than short term.						
I prefer to buy stocks when particular stock has high market noise.						
I analyze all the available and relevant information for investment.						
When I listen there is a change in policy I look for it for possible opportunities.						
I analyze firm related factors such as size, reputation, etc. before investment.						

FACTORS AFFECTING THE INVESTMENT DECISION OF IN...

By: Sabin Gurung

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Abstract This executive summary provides an overview of the thesis titled "Factors Affecting the investment decision of individual investors of Pokhara Metropolitan City". The study aims to analyze the impact of five key factors, namely psychological, social interaction, firm image, information, and regulations, on the investment behavior of individual investors. The research collected data from a sample of 250 individuals in Pokhara, to assess their investment preferences and decision-making processes. The research findings highlight several key insights. Firstly, the study explores the influence of psychological factors, such as risk tolerance, overconfidence, and loss aversion, on investment behavior. It reveals that these psychological factors significantly affect investment decision-making and risk-taking propensity among individual investors. Secondly, the thesis examines the role of social interaction in shaping investment decision. The findings demonstrate the importance of social networks and interactions, including family, friends, and investment groups, in influencing investment decisions and providing information and recommendations. Thirdly, the research investigates the impact of firm image on investment choices. It reveals that a positive firm image, characterized by factors such as brand reputation, financial performance, and trustworthiness, positively influences investment decision, fostering confidence and trust among investors. Additionally, the study evaluates the significance of information availability, sources, and quality in shaping investment behavior of financial decision-making process. It highlights the importance of access to accurate and timely information,