EVALUATION THE PERFORMANCE OF FACTOR BASED INVESTMENT STRATEGIES

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

By

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Certificate of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Report of Research Committee

Mr. Milan Baniya has defended research proposal entitled Evaluation the Performance of Factor Base Investment Strategies successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Suren Babu Kadel and Bharat Raj Pant and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We, the undersigned, have examined the dissertation entitled Evaluation the Performance of Factor Base Investment Strategies presented by Milan Baniya, for the degree of Master of Business Studies (MBS) and conducted the viva examination of the candidate. We here by certify that the dissertation is worthy of acceptance.

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Abbreviations

BS	:	Bikram Sambat
FSE	:	Financial self-efficacy
IDC	:	Industrial Development Center
KSE	:	Kuwait Stock Exchange
MSE	:	Micro and Small Enterprises
MSQ	:	Minnesota Satisfaction Questionnaire
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
SD	:	Standard Deviation
SPSS	:	Statistical Package for the Social Sciences

Abstract

The basic purpose of this study was to examine the most determinants that influence the investment behavior of individual investors and analyze the relationship between investment behavior and individual investment decision in Nepalese stock markets as well. The study employs a causal and descriptive research approach in which links between variables are formed and their relationships are analyzed. The research findings were based on quantitative data obtained by sending questionnaires to respondents. The population includes all investors in Nepal's stock market. The sample population consisted of 547 Nepalese stock market investors. The study relied heavily on primary data acquired through a standardized questionnaire technique. The data was displayed and analyzed using the SPSS software version. The findings indicated a high association between investing behavior characteristics (i.e. psychological, demographic, financial literacy, economic state, and risk tolerance) and individual investment decisions. All independent variables had a statistically significant impact on individual investing decisions. Furthermore, psychological factors, demographic factors, financial literacy, economic status, and risk tolerance were all important predictors of individual investment strategies in the Nepalese stock market.

Keywords: Risk Tolerance, Financial Literacy, Psychological Factors, Demographic Factors and Investment Strategies

CHAPTER I

INTRODUCTION

1.1 Background of the Study

A platform for human contact, the stock market is essential to the growth of the economy. It channels money into businesses and industries by pooling funds from institutions and people. Individual investors play the primary role in the market, and both academic and professional researchers examine their behavior. Regarding the particular Nepalese setting, individual investors may obtain information from friends, family, coworkers, print media, and electronic media before making stock market investments. Additionally, a person may also get information from financial advisors, bankers, and brokers. Although individual investors are unique and may make different investment choices, there always appears to be a group of investors with comparable investing patterns (Bellman, 2016).

The study of decision-making traits and judgmental errors in financial investments is the main emphasis of behavioral finance. Behavioral finance is a subfield of behavioral economics, suggesting that behavioral economics has a broader scope than behavioral finance. Along with accounting data, a number of other factors, including individual risk profiles and market dynamics, influenced the investing selections. Despite using a variety of factors when selecting equities, investors placed a high value on the traditional wealth maximization criteria. The psychological characteristic known as financial self-efficacy (FSE) significantly influenced a wide range of financial behavior, including saving and investing practices as well as credit market participation. Stronger mastery beliefs, less negative effects, increased task orientation, and frequent positive effects could all help to support FSE (Asebedo, 2018). Over the last three decades, the liberalization of financial sectors worldwide has resulted in an incredible increase in the investment sector, both in terms of volume and number of investors. Market confidence has been cultivated and instilled by dynamic regulatory frameworks, depositories' development payment guarantees, proactive government engagement, strong intermediaries, and modern, technologically sophisticated exchanges.

Psychological behavior, bias, overconfidence, and herd mentality frequently influence human decisions. Behavioral finance aims to comprehend and elucidate how human emotions impact investors' decision-making in today's capitalistic society. Investors seem to act irrationally, lack self-control, and base their decisions more on their own prejudices than on the truth. Behavioral finance is the study of psychological factors that affect investors and, consequently, the market. As one prominent economist put it, behavioral finance emerged as a means of rationally explaining the irrational actions of investors and markets. It is also known as finance from a transdisciplinary social science approach, which includes sociology and psychology. According to conventional financial theory, investors and markets are both rational; they possess complete self-control and are not swayed by mistakes in their information processing or cognitive processes. The Corporate Finance Institute claims that behavioral finance maintains that investors are viewed as "normal," not "rational," with limitations in self-control, biases, and cognitive errors that can result in poor decisions. When flaws started to show in what was thought to be the Efficient Market Hypothesis in the 1980s, behavioral finance—a subfield of behavioral economics—was born (Risal, 2016).

The Modigliani and Miller (1958) theorem states that a firm's dividend policy has no bearing on its value in perfect capital markets, which are devoid of taxes, transaction or bankruptcy costs, and asymmetric knowledge. Through the buying and selling of suitable stocks, investors can mimic any dividend payment stream in this environment. A "dividend clientele effect" is the result of such heterogeneity, according to Miller and Modigliani's (1961) hypothesis, where investors automatically group themselves into equity holding classes according to their dividend payout rates. The dividend clientele hypothesis states that companies with large dividend payout ratios draw in investors with low marginal tax rates. The dividend yield of a person's portfolio, or the ratio of dividend income to equity assets' value, should generally decline as income rises. Parikh (2011) makes the assumption that there are two main categories of investors: i) relatively smart or sophisticated investors (such as arbitrageurs or institutional investors) who react to optimal forecasts of expected returns, and ii) relatively ordinary or relatively sophisticated investors (such as individual investors or noise traders) whose time-varying demands for risky assets are not based on optimal forecasts of expected returns. Investors are making investments with a variety of goals in mind, including making a profit, securing their investment, appreciating their money, and ensuring revenue stability.

An Overview of Stock Market in Nepal

By enabling transactions on its trading floor through members and market intermediaries including brokers and market makers, the Nepal Stock Exchange (NEPSE) was founded in 1994 with the goal of granting unfettered marketability and liquidity to government and corporate assets. Government bonds, mutual funds, corporate shares, and debentures are among the main financial instruments that trade on NEPSE. In accordance with the Securities Act of 2006, the Securities Board of Nepal (SEBON) fosters the orderly growth of a vibrant and competitive capital market while upholding its legitimacy, equity, effectiveness, responsiveness, and transparency. It is Nepal's highest-ranking securities market regulator. In terms of financial and personnel resources, SEBON is lacking, especially in the areas of accounting and law.

The average market capitalization for the 18-year study period (1993/94–2010/11) was Rs. 140376.4 million; the maximum capitalization was Rs. 512939 million in 2008/09, and the lowest was Rs. 12295 million in 1995/96. But the average value exchanged ratio was 0.65 percent; it peaked at 2.8 percent in 2007–2008 and fell to 0.08 percent in 1995–96. Over the same time period, the Nepal Stock Exchange's average yearly turnover was 4.31 percent. Comparably, during 1993/94 to 2010/11, there were an average of 122 listed businesses on the Nepal stock market, with an average annual growth rate of 6.93 percent. In Nepal, a small number of companies control the majority of the market, with the top ten stocks listed on the Nepal Stock Exchange accounting for over 58% of the country's entire stock market capitalization in 2010. This indicates the negative impact it could have on market liquidity (Thapa, 2013). The Nepalese stock market included 224 listed businesses, 49 brokers, and no dealers as of the end of 2012.

According to Paudel (2005), stock markets facilitate capital allocation, investment, and growth by allowing enterprises to swiftly obtain much-needed money because of their liquidity. The Nepalese stock market is still in its infancy and is not yet able to significantly influence the nation's economic activity. Similarly, stock markets do contribute to Nepal's economic progress, and financial development is important, according to K.C. (2010). But because of its small size, lack of liquidity, dominance by a limited number of large enterprises, and incapacity to manage risk in relation to trade volume, Nepal's market is susceptible to manipulation and price ragging.

1.2 Problem Statement

Nepal needs to create additional opportunities because of its weak economy. Even while financial institutions are vulnerable, they may help the economy thrive by mobilizing funds, spotting promising initiatives, keeping an eye on managers, and controlling risk. The government might not set up appropriate policies to deal with this significant issue, even if the financial market and its system are becoming more and more important for achieving national economic progress. Because financial intermediation fosters an atmosphere that is more favorable for transforming a traditional economy into a modern one, the banking system plays an important role in development. The ideal way to grow and strengthen the economy might be to promote saving and investments in profitable industries like tourism, hydroelectric power, and agriculture.

Many factors, including market characteristics and personal risk profiles, are frequently thought to influence investment decisions. According to the disposition mistake, sunk cost considerations and asymmetrical risk preferences for gain/loss scenarios influence investors independent of accounting data. After examining several factors that affect investor behavior, Parikh (2011) came to the conclusion that while investors utilize a variety of criteria when choosing stocks, traditional wealth-maximization criteria remain crucial for investors. It seems that modern concerns like domestic or international operations, environmental performance, and the company's ethical position are only briefly taken into account. The advice of brokerage firms, individual stockbrokers, relatives, and colleagues is often disregarded. The advantages of using valuation models to assess companies were disregarded by many individual investors.

Traditional economic theories make the assumption that individuals are logical agents that make unbiased judgments in order to seize the possibilities that are presented to them. Although people consider themselves to be logical and rational, investors' emotional tendencies, habitual thought patterns, and psychological biases influence their perception of the world and decision-making when it comes to investing. Risk aversion declines with increasing wealth, age, income, and education, according to Asebedo (2018). The main factors that individual investors look for in an investment are dividends, expected returns, and the company's financial soundness, according to Chaffai and

Medhioub (2014). Further research on the investment's risk/return tradeoff was conducted by Brabazon (2015), who advised investors to act sensibly. Investment decisions must be thoroughly examined in light of the current situation based on a number of variables, but regardless of the range of information that supports rationality and irrationality, investors are eager to minimize the uncertainty around their ultimate choices. By defining the factors that typically influence individual investment decisions, this study aimed to close the gap. In addition to the factors that were previously studied and derived from popular behavioral finance theories, it also included other factors that have been found to have an impact on stockholders' investment decisions in the newly emerging local market, NEPSE.

Investors' judgments in Nepal are influenced more by their personal perspectives and emotional attachments, as well as by ignorance and herd mentality. Investors are not conducting adequate research in their own fields, and they are herding or copying what others are doing. In this field of research, I want to emphasize that investment decisions must be thoroughly analyzed of the current circumstances based on a variety of factors. Nevertheless, investors are eager to avoid uncertainties related to the final decisions they make, regardless of the variety of information that supports rationality and irrationality. In light of this, this study aimed to close the gap by identifying the factors that seem to affect individual investment decisions. In addition to the factors that were the subject of earlier research and derived from the most popular behavioral finance theories, it also introduced new factors that have been shown to be involved in making the best investment choices in the Nepalese financial market.

The following research question is the focus of the study's investigation:

1. Which factors most affect how individual investors behave while making investments in Nepalese stock markets?
2. Do individual investing decisions in Nepalese stock markets have any correlation with investment behavior (i.e., psychological, demographic, financial literacy, economic condition, and risk tolerance)?
3. How do risk tolerance, economic conditions, financial knowledge, demographics, and psychology affect an individual's decision to invest in Nepalese stock markets?

1.3 Objectives of the Study

This study's primary goal is to evaluate the factors that affect stock market investing behavior. Many behavioral economists now contend that a deeper comprehension of the behavioral biases of individual investors is necessary for making informed investment decisions. However, many economists do not take into account the investor's irrational conduct since they fully trust in the application of classical theories in the decision-making process.

The following are the precise goals:

1. To determine the factors influencing individual investors' stock market investing behavior in Nepal.
2. To explore the relationship between investing behavior (i.e. psychological factor, demographic factor, financial literacy, economic situation and risk tolerance) and individual investment decision in Nepalese stock markets.
3. To examine how individual investing decisions in Nepalese stock markets are influenced by psychological, demographic, financial literacy, economic, and risk tolerance factors.

1.4 Rationale of the Study

The goal of the study is to identify the variables influencing the choice to invest in Nepalese stocks. Although the majority of investment theories explain how financial information and expertise serve as the foundation for investment decisions, behavior aspects also play a part. Conventional theories adopt the assumption that individuals are logical agents that make unbiased decisions in order to seize the possibilities that present themselves. Investors consider themselves to be logical and rational. Their psychological biases, long-standing thought habits, and emotional tendencies, however, influence how they view the world and make decisions when it comes to investing. Therefore, comprehending the impact of behavioral elements in the investment decision-making process is the primary significance of the study. The qualitative elements that influence investors' decision-making can be better understood thanks to this study. The study's main justifications are listed below:

1. The study will contribute to the explanation of the pattern and behavior of investment decisions in the Nepalese stock market.

2. The study will be useful in determining the logic of Nepalese investors' investment decisions.
3. The results will be helpful for future studies of a similar nature.

1.5 Limitations of the Study

This study is not an exception to the rule that every research has boundaries because the world is always changing. The study's primary shortcomings are as follows:

1. The research is limited to the Nepalese stock market, which may not accurately reflect the state of the entire sector.
2. The correctness of the study depends upon the data provided by the investors in Nepalese Stock Market.
3. This study prepared on the basis of sampling so the outcome may not free from bias.
4. Structured surveys are specifically used to gather primary data.
5. A descriptive and informal research approach served as the foundation for this investigation.

CHAPTER II

LITERATUREREVIEW

2.1 Introduction

This chapter includes a survey of literature on role of behavioral finance in investment decision as stated by different authors. It gives the reader a current summary and analysis of the research results on a specific subject. This chapter specifically addresses the following topics: conceptual framework, research gap, theoretical review, and review of prior studies.

2.2 Theoretical Review

The goal of this form is to concretely analyze the concepts and theories of behavioral finance, as well as investing decisions. The theoretical literature review aids in determining what theories already exist, their relationships, the extent to which existing theories have been studied, and the development of new hypotheses to test. This style is frequently used to demonstrate a lack of acceptable theories or to illustrate that current theories are insufficient to address new or emergent research issues. The unit of analysis can be a single theoretical concept or a complete theory or framework.

2.2.1 Concept of Behavioral

Finance Behavioral finance is a discipline of finance that analyzes how psychological factors influence the behavior of agents in the financial market, and how these influences decisions made while buying or selling the market, hence affecting pricing. Behavioral finance is the study of how psychology influences the conduct of financial practitioners and how this affects markets. The science is concerned with ideas and research that examine what happens when investors make decisions based on intuition or emotions (Dhar and Chhaochharia, 2008). Shefrin (2000) defines behavioral finance as a fast expanding field concerned with the impact of psychology on the conduct of financial

practitioners. Chaffai and Medhioub (2014) prefer to refer to behavioral finance as "behavioral economics," stating that behavioral economics integrates the fields of psychology and economics to explain why and how people make decisions that appear illogical or irrational when they borrow, save, invest, and spend money. By integrating these noticeable, consistent, and highly human deviations from rationality into conventional financial market models, behavioral finance loosens the conventional presumptions of financial economics. The first bias among investors is brought on by people's propensity for overconfidence, and the second is brought on by people's desire to avoid regret (Costa et al., 2018). According to Fama (1998), behavioral finance is the branch of finance that uses recognized psychological biases to explain stock market anomalies rather than writing them off as random outcomes that line up with the market efficiency hypothesis. The information structure and different market participant characteristics are thought to have an impact on individual investors and market results (Asebedo, 2018).

2.2.2 Theories of Behavioral

Finance Theories that explain investor behavior and behavioral finance share a lot in common. The following describes and discusses the most well-known and prevalent theories.

2.2.2.1 Prospect Theory

Kahneman and Tversky were the first to develop the prospect theory (1979). According to the notion, there are two stages in the decision-making process: the initial farming (or editing) stage and the evaluation stage that follows. Prospect theory demonstrated how individuals deal with uncertainty and risk. The idea essentially explains why human behavior appears to be irregular when evaluating risk in the face of uncertainty. The certainty effect is the tendency for people to give significantly more weight to events that are viewed as more certain than those that are just plausible (Kahneman and Tversky, 1979).

2.2.2.2 Heuristics Theory

Heuristics are straightforward, effective rules of thumb that have been offered to describe how humans solve problems, form opinions, and make decisions—usually when confronted with complex issues or insufficient information (Parikh, 2011). According to Kahneman and Tversky (1979), human heuristics have an impact on how decisions are

made. According to this idea, heuristics are a method that may be used to solve a wide range of problems and typically, though not always, results in the right answer. Heuristics, often known as shortcuts, are frequently employed by people to simplify difficult issue solving into more straightforward judgmental processes (Kahneman and Tversky, 1981). The heuristic decision-making process is how investors learn things on their own, typically through trial and error, which results in the creation of general guidelines. Stated differently, it alludes to the general guidelines that people employ when making decisions in intricate and unpredictable situations (Brabazon, 2000).

2.2.3 Theories of Investors Behavior

Through the study of investor psychology, a number of significant theories that can partially explain market anomalies have been generated by investor behavior theory.

2.2.3.1 Regret Theory

The regret theory describes the feelings people experience once they realize they made a mistake in judgment. When faced with the possibility of selling their shares, investors are emotionally impacted by the purchase price. By adopting other investors' investment patterns, the individual investor was able to avoid the prospect of regret and rationalize their choice (Rakesh and Nalina, 2015).

2.2.3.2 Theory of Mental Accounting

The psychological theory that explains the thoughts that influence saving, spending, and other household behaviors is called mental accounting, according to the theory. A question that the idea attempted to address was, "How did people think about money?" In a broader sense, mental accounting were a means for naturally logical people to make financial decisions easier. Thus, a significant implication was that the value an individual attaches to a specific sum of money may vary depending on the account to which it was allocated, which ultimately depended on situation, context, and framing (Thaler, 2017). Because they had built up mental compartments for their previous earnings, investors were waiting for that profitable time to return (Thaler, 1999).

2.3 Empirical Review

The literature review is a crucial component of the study's planning. The literature review's primary goal is to ascertain what has already been done in the field of the research project. The role of behavioral finance in Nepalese investment decisions appears

to be a relatively new area of investigation and analysis. Here, an attempt is made to review some of the research, including a review of journal articles written by both domestic and foreign authors.

2.3.1 Review of International Studies

Aslan & Arpaci (2024) Given the increasing significance of comprehending individual investment plans, the current study sought to create a new scale for evaluating people's short- and long-term investment strategies. Data from 1428 individual investors was used in the study to evaluate the investment strategies scale's (ISS) psychometric qualities. The factor structure of the suggested scale (N = 700) was examined in the first study using an exploratory factor analysis (EFA). The two-factor structure that emerged from the EFA data was accompanied by Cronbach's alpha values of 0.90 and 0.88 for short- and long-term investment strategies, respectively. In the second research, a confirmatory factor analysis was conducted to validate the scale's factor structure (N = 728). The findings showed that the two-factor model provided a good fit to the data. The third study examined the relationship between the two scale dimensions and Hofstede's long-term orientation. The scale's contemporaneous validity was confirmed by the results, which showed that long-term investment methods significantly predict long-term orientation. These results show that the suggested ISS is a viable and dependable tool for assessing people's short- and long-term investing strategies, which advances our knowledge of how people make investment decisions.

Lisbon's NOVA University in 2023 The execution, analysis, and fusion of different factor-based investing methods on the largest European market are the goals of this thesis. Our main goals were to analyze two value investment methods, a momentum strategy, and a contrarian investment strategy. These four distinct approaches to stock selection were tested on this market between 2015 and 2019, and their combination offers a deep understanding of how well these elements may cooperate. To achieve this, we used the Qrumble Python framework, which provides rapid and simple investment experiment results. We included two theoretically efficient portfolios from Portfolio Theory—the market portfolio and the minimal variance portfolio—as well as other portfolio evaluation variables into Qrumble in order to achieve such a comprehensive study. We discovered that the majority of investing methods did not perform as anticipated, most likely as a result of the short experiment time. However, both value techniques showed intriguing

returns without a significant increase in risk. Finally, by mixing components from various techniques, we were able to produce superior results through a multi-type factor investment strategy, which may indicate that these many schools of thought can work well together. This also shown that, under the correct conditions, theoretically efficient portfolios might provide intriguing results, which calls for more research.

Raju (2023) We compare the performance of 36 small instances from December 2019 to December 2022 to four and six factor models, as well as market-based and strategy indexes. For a small number of cases, the results indicate target factor exposures; nevertheless, in the majority of tiny situations, the substantial idiosyncratic risk of concentrated portfolios outweighs any possible factor exposure. Generally speaking, our sample's small cases are subject to the small size issue, which could limit the capacity. Because of fees, slippage, transaction expenses, and taxes, realized returns are probably going to be lower. Even after removing these expenses, our sample shows no signs of alpha adjusting for typical academic variables. For investors and financial professionals who wish to gain a better understanding of the factor exposure of small cases, the findings offer preliminary information.

Kartini and Nahda (2021) investigated the influence of behavioral biases on Indonesian investing decisions. Over the past 20 years, there has been a change in perspective from traditional finance to behavioral finance, which describes how emotions and thought processes are connected to financial decision-making. Investigating the impact of several psychological elements on investment decision-making is the goal of this study. Cognitive and emotional elements are the two categories into which the psychological factors under investigation are divided. The study looks at how investment decisions are impacted by anchoring, representativeness, loss aversion, overconfidence, and optimism biases from a cognitive perspective. In the meanwhile, the impact of herding behavior on investing choices is examined from an emotional perspective. Based on a survey method and snowball sampling, a quantitative methodology was employed, yielding 165 questionnaires from Yogyakarta individual investors. Additionally, we test every hypothesis using the One-Sample t-test. The results of the study demonstrate that every variable, including herding behavior, anchoring bias, optimism bias, overconfidence bias, loss aversion bias, and representativeness bias, significantly influences investing choices. This finding highlight how behavioral aspects affect investors' choices. By eliminating all potential biases, it improves investors' capacity to make better-informed decisions and

adds to the body of literature already in existence regarding the dynamics of investor behavior.

Cuandra and Tan (2021) looked into the elements that Batam City stock investors take into account when making decisions. Analyzing the elements that investors should take into account while making stock investment decisions was the aim of this study. The purpose of this study was to evaluate investment interest and considerations, which are impacted by locus of control, availability bias, and representation bias. The Smart PLS application was used to test this study. In order to collect data for this study, 353 persons in Batam City were given questionnaires. Availability bias moderated locus of control had no effect on investment decision making, representative bias moderated locus of control had no effect on investment decision making, and there is a significant and positive influence of availability bias on investment decision making. According to a number of aspects that affect decision-making, this research helps investors in Batam City make investment decisions by letting them know about all the factors that affect their choices.

Evbayiro and Chijuka (2021) investigated the psychological aspects influencing investment decisions on the Nigerian stock exchange. Thus, the research topic was: what psychological factors influence investing decisions in the Nigerian capital market? A systematic questionnaire was utilized to collect data, and 75 investors were surveyed using a practical sample strategy. Using overconfidence bias, availability bias, conservatism, and the herding effect to identify the most important behavioral factor influencing investment decisions made by Nigerian investors. Multiple regression analysis was the primary methodological tool for analyzing the research hypothesis, whereas Cronbach's alpha values for the questionnaire on all variables were greater than 0.7, indicating a high level of reliability. The biggest beneficiaries would be stock market buyers who are well-informed about the impact of their own behavioral factors on their stock market decisions. The knowledge would help them make better investment decisions and prevent bad judgments to expand their resources. As a result, policymakers and stock market regulators will be able to better understand the role of inherited behavioral influences in consumer decision-making, which may be associated with the need for stock market brokers to upgrade their customers' trading practices. The study's findings suggest that overconfidence, availability bias, and herding impact all had a positive significant relationship with NSE investment decision-making, with the

exception of conservatism, which had a negative relationship but was statistically significant at the 0.01 level. Based on the findings, it is possible to conclude that overconfidence, availability bias, and herding influence are the most common factors influencing investor investment decisions in NSE.

Sonawane et al. (2021) investigated the effect of demographic characteristics on overconfidence bias in the investment choice process. This research article intends to investigate the impact of gender, age, and education level on investor experience. The primary goal of this research is to investigate the impact of investing age, gender, and level of education on two specific biases: overconfidence and herd behavior. To test the hypothesis, 100 IT personnel from Pune city provided primary data. The sample was picked at random from investors and IT employees in Pune. To make the survey process more effective, a questionnaire was created including questions about investor demographics and self-attribution bias. It measured overconfidence bias and herding bias using a Likert scale. Data for this study was gathered and examined from a sample of 100 Pune-based IT workers. The study adds to the body of knowledge on prejudice, particularly the impact of demographic factors on herd behavior bias and overconfidence, according to the findings. According to this study, investors' decisions are not influenced by their gender or level of education when it comes to overconfidence prejudice and herd behavior bias.

The factors impacting individual investing decisions on the Colombo stock exchange were examined by Somathilake (2020). Examining the variables impacting individual investing choices on the Colombo Stock Exchange was the aim of the current study. Individual investment choices made on the Colombo Stock Exchange were found to be the dependent variable, while accounting information, neutral information, and advocate recommendations were shown to be independent variables. Using a standard questionnaire, information was gathered from 150 individual investors who were active participants in the Colombo Stock Exchange in 2020. Inferential statistics like regression and correlation were used to analyze the collected data. The results showed that while both advocacy recommendations and neutral information have an impact on an individual's investing decision, accounting information is not given much thought. Ultimately, it was determined that respondents' investing decisions lacked a high degree of rationality.

Hemalatha (2019) looked into the elements that affected a few chosen individual investors' decisions to invest in Chennai. The goal of investing is to make money in order to generate profitable returns. Fixed deposits, insurance policies, government securities, corporate bonds, shares and mutual funds, real estate, commodities, chit funds, post office schemes, and gold and silver investments are just a few of the many investment options accessible to individuals. A person's investing decision is influenced by a number of things. A person's demographic profile is also very important when making investing decisions. Therefore, based on the demographic profile of the participants, this study attempts to determine attitude differences in the view of individual investors regarding factors impacting investment decision. In Chennai, Tamil Nadu, 374 people completed the survey. The mean, standard deviation, standard error, and mean of the elements influencing a person's investment decision are all determined using descriptive statistics (t-test and f-test). The study looks for ways that a person's demographic profile affects the aspects that affect their decision to invest. The findings demonstrated how factors such as gender, age, occupation, internet usage, computer proficiency, and online trading usage affect investment selection.

Srikrishna and Bhagawan (2024) After making their mark in Western markets over the past few decades because to the failure of active investing, smart beta techniques are now making inroads into emerging markets like India. In this context, the study looks at how well smart beta techniques perform in Indian long-only, multifactor, and alternative indexing frameworks. The research constructs univariate portfolios that are alternatively weighted (AW). First, the single-factor cap-weighted (CW) portfolios are constructed. The portfolios are then compared to the CW portfolio after being alternately weighted. The construction of the CW multifactor portfolios and a comparison with single factor portfolios follow. Ultimately, AW multifactor portfolios are constructed and compared to CW multifactor portfolios at the end. Under factor models, the performance of each portfolio is evaluated for significance in relation to the market, alpha, and risk-free rate. After correcting for survivorship bias, the portfolios were built using the NIFTY 500's constituents. The sample period ran from January 10, 2000, to September 31, 2021, a span of 21 years. The hypotheses were assessed using the Wald test for the difference in alpha and exposure using the Seemingly Unrelated Regression framework, and the One-Sample T-test or Wilcoxon Signed Rank test for the difference in return, depending on the return distribution. Python was used to create and examine the portfolios. There is

conflicting evidence on the existence of factors; factor portfolios based on market data, such as Illiquid, Winner, Stable, and Size, performed better than those based on fundamental data, such as Value, Strong, and Conservative. With the exception of poor performance as compared to the Illiquid portfolio, the Integrated portfolio is identical to the Mixed and single-factor portfolios. At both the single and multifactor levels, the alternate weighting provided inconsistent results.

Karpagambigai (2023) The study's objective is to assess tube investment diamond chains' performance in India. A Tube Investments of India Limited unit in Chennai (using the balance scorecard method). In businesses, the Measurement of Performance assessment systems are crucial. Implementing an efficient plan for their businesses is the goal of the performance appraisal system. A lot of management has demonstrated that traditional financial-based performance evaluation systems have not been able to identify and incorporate all the elements that are crucial to the success of the company. Even while performance review systems can be very helpful in communicating, assessing, and rewarding the accomplishment of strategic goals, many managers believed that their current appraisal systems fell short in these areas. Both practitioners and management have emphasized in recent years the necessity of integrating a far greater variety of non-financial aspect measures in business performance reporting and incentive systems, in addition to moving beyond financial aspect assessment of operations. In the current competitive era, organizations must be energetic and adaptable in the complicated and competitive environment. The New Line

Pankajam (2018) Abstract Investors' actions are impacted by both irrational and rational factors that affect how efficient or inefficient financial markets are. Conventional financial theories including the CAPM, the utility theory, and the efficient market theory are typically the foundation for financial decisions. According to conventional ideas, investors are logical beings who base their judgments on analysis of risk and return. Investors, according to Markowitz (1952), are logical, risk-averse, and seek low risk in exchange for a respectable return. The new paradigm of finance, known as behavioral finance, is influenced by psychological and behavioral elements to a significant degree these days. One of the things that affects investor behavior is the composition of the information. Almost all investors are kept up to date on market developments and are well-connected throughout. Many academics have highlighted that individuals are not always rational when making investment decisions, and many other elements, such as

demographic factors, psychological factors, market considerations, etc., influence investment decision making. The investor community has grown over the last two to three decades as a result of the globalization of financial markets, which now provide a diverse range of financial instruments and possibilities. Several studies in recent years have found that stock market returns average around 15%, yet investors have expressed that they have lost money in the stock market due to its riskiness. Investors are blaming the market's volatility for their losses. Even with strong qualifications and IQ, many investors do not perform well in the stock market because their decisions are based on their emotions rather than their minds. In this context, analyzing and comprehending the behavior of individual investors is critical for constructing various forms of financial instruments that, in turn, improve the economy. 7 The primary goal of an investment is to make a profit. Historically, investing was based on performance, forecasting, market timing, and other factors. However, reasonable investments produce low returns and provide little peace of mind. Due to the discrepancy between actual and real profits, numerous investment strategies were sought after. The basic errors in the decision-making process were found to be the cause of the disparity. Based on a review of the literature, a study was carried out with 795 respondents from three Tamilnadu cities to determine the impact of irrational factors like herding, heuristics, and prospect factors, as well as behavioral factors like personality, locus of control, emotional intelligence, and risk attitude, on the behavior of making investment decisions. By distributing surveys, primary sources of data were gathered. Books, journals, and published reports were among the sources from which the secondary data was gathered. Percentage analysis, the Chi square test, multiple regression, and canonical correlation were used to examine the gathered data. Upon investigation, it was discovered that the vast majority of responders are male and that 26.5% of them are between the ages of 36 and 45. 41.5% of the sample earns more than Rs. 5,00,000 a year, and 42% of the respondents are postgraduates. 74.1% of the members are married, and 25.7% of them work for private companies. Thirty-six percent of the respondents had five to ten years of investment experience. Respondents' preferred investment options included bank accounts, equity shares, and real estate. Both behavioral and demographic characteristics were linked to every investment decision-making activity. The behavioral characteristics had a 60 to 70% impact on individual investors' investment decision-making behavior. The multivariate analysis for the factors Locus of control, emotional Intelligence, Risk attitude, and irrational factors such as Herding, Heuristics, and Prospect factors revealed that the

canonical correlation between the variables is 85%, indicating that 8 of the variables are correlated with one another. According to the study, individuals should undertake self-analysis before making investing decisions in order to maximize their returns. Financial advisors must create tailored packages based on the specific demands of each investor. Marketers should promote their products based on the needs and goals of individuals.

Drue (2018) This study evaluated the use of Machine Learning for portfolio selection by comparing a Factor Based Investment approach to one that used a Support Vector Machine to conduct a classification task. The Factor Based Strategy employs regression to discover variables that are connected with returns by regressing excess returns against factor values using historical JSE data. Portfolios are constructed using a portfolio-sort approach. The machine learning model was developed using historical share data from the Johannesburg Stock Exchange. The model was tasked with determining if a stock outperformed or underperformed the market. Shares were graded based on their likelihood of outperforming and divided into quartiles with equal weighting. The excess return of the top and bottom quartiles was utilized to determine portfolio payoff, which served as the basis for comparison. The studies were divided into time periods to determine the components' consistency across varied market situations. The time periods were classified as pre-financial crisis, during the financial crisis, after the financial crisis, and across the entire period. The research was undertaken in the context of the Johannesburg Stock Exchange. Historical data on the constituents of the All Share Index (ALSI) were collected during a 15-year period, from May 2003 to May 2018. A rolling window methodology was used, in which the training and testing windows were moved with each iteration of the data. This enabled a larger number of predictions to be made and a longer time of comparison with the factor-based technique. Portfolio creation was based on fourteen unique elements. While combinations of components into Quality, Value, Liquidity, and Leverage categories were utilized to study the impact of new inputs into the model. Furthermore, tests combining all parameters were carried out. It was discovered that a single factor FBI can consistently outperform the market; a multi-factor FBI can also provide consistent excess returns; however, the SVM consistently provides larger excess returns with a wide range of factor inputs and outperforms the FBI in 12 of the 14 different experiments over different time periods.

Yuxi (2024) This paper focuses on the study of investment portfolios based on a multifactor quantitative investment model. The aim is to develop an effective strategy that

can maximize returns while minimizing risks in the investment process. The multifactor quantitative investment model takes into account various factors such as company fundamentals, market trends, macroeconomic indicators, and investor sentiment. By analyzing these factors, it aims to identify undervalued assets and predict their future performance. The research methodology involves collecting historical data on different factors and using statistical techniques to analyze their impact on asset prices. By incorporating multiple factors and considering their interactions, the model is able to generate higher risk-adjusted returns. The research utilizes a multifactor model to select the necessary research factors and applies a quantitative investment model to identify stocks for portfolio construction. Subsequently, the selected stocks are analyzed and tested using the concept of the efficient frontier to obtain the optimal investment portfolio. Finally, the Sharpe ratio is employed as a final validation measure, confirming that the investment portfolio exhibits a high level of suitability. The results are then used to construct optimal investment portfolios that provide a balance between risk and return. The findings of this research suggest that a multifactor quantitative investment model can significantly outperform traditional investment strategies.

Jan (2021) This article studies optimal investment in flexible manufacturing capacity as a function of product prices (margins), investment costs and multivariate demand uncertainty. We consider a two-product firm that has the option to invest in product-dedicated resources and/or in a flexible resource that can produce either product, but has to make its investment decision before demands are observed. The flexible resource provides the firm with a hedge against demand uncertainty, but at a higher investment cost than the dedicated resources. Our analysis highlights the important role of price (margin) and cost mix differentials, which, in addition to the correlation between product demands, significantly affect the investment decision and the value of flexibility. Contrary to the intuition also prevalent in the academic literature, we show that it can be advantageous to invest in flexible resources even with perfectly positively correlated product demands.

Stanković (2015) This research examines the efficacy of technical analysis and predictive modeling in defining the optimal strategy for investing in the stocks indices of emerging markets. Trading strategies are set regarding different technical indicators based on moving averages and volatility of the value and returns on stock indices. Simple trading rules are generated using two moving averages – a long period and a short period moving

average, and Moving Average Convergence-Divergence (MACD) and Relative Strength Index (RSI). Selected technical indicators are used as features in defining predictive model based on Least Squares Support Vector Machines (LS-SVMs). A LS-SVM classifier has been used in order to predict trend of the stock indices' value whereby the obtained outputs of the LS-SVM model are binary signals that can be used for defining the trading strategy. Comparing the results obtained from traditional statistical methods for predicting the trend of financial series and proposed LS-SVM model, it can be concluded that machine learning techniques capture the non-linear models which are dominant in the financial markets in more adequate way. Outperforming the results of Buy & Hold strategy and technical trading strategies, application of LS-SVM in decision making process on investing on the financial market significantly can contribute to maximization of profitability on investment.

Kyiv, (2021) Within the presented study, applied aspects of the resource provision of innovation and investment strategies for modernization of microeconomic systems in the context of digitalization are submitted. It is substantiated that the modernization of microeconomic systems is a certain activation of the potential modernization aimed at improving the efficiency of processes, technologies, management of products, services and more. Modernization challenges of microeconomic systems are implemented through strategic management of the enterprise development provided resource provision of the potential modernization. Initial conditions of the resource provision of the microeconomic systems modernization in the conditions of digitalization are singled out, which include: efficiency; availability and clarity of the algorithm analysis formed by information base and tools; clear calculations of the cost of attracting resources to the modernization process; forecasting and assessing the risks of incomplete implementation of modernization. It is proved that in the methodological support of resource management of microeconomic systems in the design, the method of subjectivity of distributions or cost centres is used. The methodical toolkit of the resource provision optimization of modernization designing of microeconomic systems in the conditions of digitalization with application of the competitive selection model of modernization projects for the carrying the chosen strategy of the resource supply is offered. The proposed approach to the optimization of resource provision of modernization design of microeconomic systems in the context of Svitlana digitalization involves: formation of a set of applications based on the preferential principle and priority of innovation and investment

strategies; assessment of actual indicators of resource efficiency in modernization projects by each participant; decision-making on providing resources to the modernization project; determining the completeness and redundancy of the resource allocation between projects; distribution of residual resources.

Archer & Orr R. (2011) Welfare states are believed to have evolved into a'social investment' form of welfare over the last 20 years, with a focus on equality of opportunity and upward social mobility, as well as a larger emphasis on individual responsibility. Given these policy changes, it is crucial to determine if conventional stratification cleavages still influence the occurrence of'social risks'. Using data from the 2005 EU-SILC intergenerational module, we examine the impact of social class (of origin) on a relevant set of hazards, including unemployment, illness, living in a jobless household, single parenting, and low-wage work. The findings demonstrate a strong influence of socioeconomic class. Based on this, we contend that social investment methods must consider the continued existence of old stratification cleavages. Otherwise, a one-sided strategy could lead to "Matthew effects" and new kinds of exclusion.

Kvist (2016) The European Union has advocated social investments as a national reform approach since 2013 in an effort to boost national economic growth and human talents. However, the plan requires a more cohesive framework that considers the dynamic and multifaceted character of social challenges and social investments in order to fully benefit from them. This chapter theoretically develops a paradigm that incorporates gender, life course, and generational perspectives on social investments. According to the generational approach, social investments promote diversity within generations, entail horizontal redistribution, and support the productive and reproductive social contract between generations. The life course approach illustrates how societal concerns and investments in one period of life are influenced by circumstances in previous stages and impact the situation in subsequent stages of life, potentially in numerous dimensions. When gender and aging throughout life are taken into account, the gender perspective demonstrates how social investments can enhance economic and social benefits. Cross-national trends empirically show that social investment policies and returns are positively correlated.

Coelho (2021) The Efficient Market Hypothesis states that stock market changes reflect the arrival of new information through external events and news. Thus, many recent

studies in the literature evaluate the impact of Sentiment Analysis (SA) applied to social media and news in the stock market. However, these studies generally do not present investment strategies that take advantage of sentiments in new publications considering the correlation between news and the stock market, especially when news are written in Portuguese. This paper proposes investment strategies based on Sentiment Analysis of financial news applied to the Brazilian stock market. For such, the following activities were performed: (i) identifying the most suitable Artificial Neural Network (ANN) architecture to perform Sentiment Analysis in financial news in Brazilian Portuguese; (ii) studying the correlation between the predominant sentiment in financial news of three major Brazilian news portals through the Granger causality test; (iii) proposing two categories of investment strategies based on Sentiment Analysis, considering both negative and positive financial news; and (iv) applying the proposed strategies to the Brazilian stock market. Experiments were conducted with financial news from the most popular Brazilian online news sources and the results showed: (i) the most appropriate ANN to perform SA in Portuguese is the Convolutional Neural Network; (ii) there is a significant influence of the predominant daily news sentiment in the stock market; and (iii) investment strategies based on Sentiment Analysis can bring profitability both in short and in long term, surpassing the strategies Random Walk and Buy & Hold.

Challoumis, Constantinos, From Regulation to Returns – Exploring the Money Cycle’s Effect on Investment Strategies (2024). As I probe into the intricacies of the money cycle, I am struck by the profound impact it has on our investment strategies. The distinction between enforcement and escape savings reveals a fascinating dynamic that shapes the very fabric of our economy. By examining how these two types of savings interact, I aim to uncover the ways in which they influence our investment decisions and, ultimately, our returns. In this post, I will explore the money cycle's effects on investment strategies, shedding light on the interplay between regulation, savings, and economic growth.

Alberg and Lipton (2017) On a periodic basis, publicly traded companies are required to report fundamentals: financial data such as revenue, operating income, debt, among others. These data points provide some insight into the financial health of a company. Academic research has identified some factors, i.e. computed features of the reported data that are known through retrospective analysis to outperform the market average. Two popular factors are the book value normalized by market capitalization (book-to-market) and the operating income normalized by the enterprise value (EBIT/EV). In this paper:

we first show through simulation that if we could (clairvoyantly) select stocks using factors calculated on future fundamentals (via oracle), then our portfolios would far outperform a standard factor approach. Motivated by this analysis, we train deep neural networks to forecast future fundamentals based on a trailing 5-years window. Quantitative analysis demonstrates a significant improvement in MSE over a naive strategy. Moreover, in retrospective analysis using an industry-grade stock portfolio simulator (backtester), we show an improvement in compounded annual return to 17.1% (MLP) vs 14.4% for a standard factor model.

Kengatharan (2019) Analyzed the factors influencing investment decision in stock market in the Northern Province of Sri Lanka. The study aims to identify factors that influence 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. The study covers individual investors from all five districts belonging to the Northern Province of Sri Lanka and data were marshaled from 272 individual investors with a self-administrated questionnaire using a convenient sampling technique. The collected data were then analyzed with a number of statistical techniques including Independent t- test, Analysis of variance (ANOVA) and relevant post hoc tests. The study identified eight most influencing factors on investment decisions: past performance of the company's stock, company stability, firm's goodwill, firm's reputation in the industry, dividend paid, expected corporate earnings and expected dividend. Further results highlighted seven least influencing factors on investment decisions: opinions of firm's majority stockholders, easy to obtaining borrowing funds, diversification needs, friends/co-workers' opinions, forms governing body and social status. The study disclosed that the socio-economic characteristics of investors (age, gender, marital status, educational qualifications and monthly income) were a statistically significant impact on the investment decisions of individual investors. The study has made a theoretical contribution and proffers many useful practical implications to the investors, practitioners and policy makers.

Xyetuo and Sun (2020) The changes in China's stock market are inseparable from the country's economic development and macroeconomic regulation and control and have far-reaching significance in promoting China's national economic growth. Compared with the Western developed capital market, China's current stock market's main smart investment strategy still has certain defects. Based on the SVM model, this paper

establishes a predictive model that combines kernel parameters and parameter optimization to model. The mesh search method, genetic algorithm, and particle swarm optimization algorithm are used to optimize the parameters of the SVM under various kernel functions such as radial basis kernel function. The algorithm and particle swarm optimization algorithm optimize the parameters of the SVM to strengthen the applicability of the model in practice. The empirical results show that under the three-parameter optimization algorithms, the prediction results are higher than the random prediction accuracy, which indicates that it is effective to optimize the model by adjusting the parameters of the SVM. Among them, the SVM using the genetic algorithm parameter optimization under the radial basis kernel function shows the better prediction effect, which is the closest to the real value in the stock market forecast. The particle swarm algorithm supports the vector machine to predict the effect is slightly lower than the grid. Search method. In addition, through comparison experiments, the guess accuracy of BP neural network is worse than that of the support vector machine model before the adjustment. Finally, this paper uses the well-trained model to plan the stock smart investment plan.

2.3.2 Review of Nepalese Studies

Shijin and Sedhain (2021) The Fama-French three-factor model is used in this study's panel data analysis to investigate the existence of both rational and adaptive expectations hypotheses in the Nepalese stock market. The book to market equity was a key factor in the Nepalese stock market, according to the adaptive expectation hypothesis, and only data from the previous two years could account for investment choices. The value, scale, and excess market return factors are also significant drivers during the investment decision-making process under the rational expectation theory. To estimate stock market return under rational expectation, three years' worth of data must be included, along with the following three years' worth of data. This study comes to the conclusion that both adaptive and rational investor behavior are important factors in Nepalese capital market investment decisions. Nevertheless, there was no relevant expectation theory that was more prevalent in the stock market of Nepal. The study also notes that portfolio excess return is only strongly impacted by the risk associated with the value component, size factor, and excess market return when investors have accurate information about the past and future and are acting rationally. Under adaptive expectations theory, investors can maximize return by taking into account the data from the previous two years. In contrast,

under adaptive expectations, the risk related to the value element dominates the calculation of portfolio excess return.

Gnawali (2021) looked into the decision-making processes of individual investors in the Nepalese stock market as well as behavioral biases. The study helped to clarify the factors that influence behavior bias in the Nepalese stock market. It provides empirical support from Nepal and validates earlier studies on the subject. The study's primary goal was to comprehend and pinpoint the elements that influence each investor's choice in NEPSE. The various factors that can affect investment activity were examined in this study. The study examined data from 250 samples across various broker houses in Kathmandu using the information gathered from the survey carried out in the Kathmandu Valley. Social interaction and regulatory laws have a significant impact on individual investor decision-making in the current environment. "I take advice from stock broker while investing in securities" has a modest level of agreeableness when seen through the individual characteristics of social interaction. Additionally, "I prefer to buy stocks when the company has an independent management team" is a highly agreeable regulatory policy component. This study examined the impact of independent variables on individual stock market decision-making behavior in Nepal using primary data. The study's data, which was utilized to compute correlation and regression, was gathered from investors who were present at the broker house. Both descriptive and inferential analysis have been used in this study. According to the correlation test, every independent variable has a positive association, with the exception of the psychological element. While regression analysis for novice investors has shown psychological factors, social interaction, regulatory policies, and firm image have significant effects on investors' decision-making behavior, for experienced investors only social interaction has significant effects on investors' decision-making behavior. Regression analysis has found that only social interaction and regulatory policies have significant effects on investors' decision-making behavior for investors as a whole. Overall, the topic's study has helped us comprehend how people behave when making investments in the Nepalese stock market. This study has employed both descriptive and inferential analysis. With the exception of the psychological component, all independent variables show a positive link, according to the correlation test. For experienced investors, only social interaction has a significant impact on their decision-making behavior, whereas regression analysis for novice investors has demonstrated that psychological factors, social interaction, regulatory policies, and firm

image have significant effects on investors' decision-making behavior. According to regression research, the only factors that significantly influence investors' overall decision-making behavior are social contact and regulatory rules. All things considered, the research on the subject has improved our understanding of how investors act in the Nepalese stock market.

Vaidya (2021) looked studied the qualitative analysis of Nepalese stock market investors' investing choices. The study makes an effort to investigate Nepalese investors' secondary market experiences. The study investigated how Nepalese investors make investment decisions. The grounded theory approach was used in the research to develop the theory based on information gathered from semi-structured interviews with stock market investors who had management-related academic backgrounds. The results showed that investors are keen to get into the stock market and seek out a better trading experience at the NEPSE floor. The study revealed a range of perspectives regarding the comprehension of macroeconomic factors and how they impact investing choices. Some of the investors said they perceive a direct or indirect relationship between the economy and the stock market, while others claimed that there is no relationship between their investing decision-making process and macroeconomic issues. The study found that while choosing an investment, Nepalese investors are primarily concerned with a fundamental component of the listed companies. Investors also reported that they use technical analysis or market trend for short-term trading on the NEPSE floor. At one point, investors perceived insider trading and the unpredictable political climate as significant obstacles to the Nepalese stock market. Lastly, the overabundance of information about the listed companies, whether true or not, caused an investor's investment choices to go awry.

Kunwar (2021) investigated how individual investors' investing performance in the Nepali stock market was influenced by behavioral characteristics. The goal of the study was to increase knowledge of the several elements influencing investor behavior and how they relate to the performance of investments in the Nepali stock market.The questionnaire survey of 203 investors from Pokhara and Kathmandu served as the basis for the study. Using Principal Component Analysis and Varimax rotation, the study employs Exploratory Factor Analysis (EFA) to investigate the fundamental aspects of investor behavior. KMO and Barlett's Test of Sphericity have been used to assess the data's eligibility for the factor analysis. Heuristics, prospects, market conditions, and

herding effect are the four categories into which the EFA separated the elements of investor behavioral dimensions. The relationship between investment performance and these behavioral characteristics was investigated using the factor scores derived from the EFA. The findings show that among Nepali individual investors, behavioral biases such as heuristics, prospects, market factors, and herding effect were prevalent. Among these, it is discovered that heuristics and market factors have an impact on investors' investing performance. It has been discovered that the heuristic behaviors have the greatest and most favorable impact on the success of investments. Lastly, the findings show that investment performance is not increased by following the herd in the market and prospects.

Shrestha (2020) looked on the variables affecting Nepalese investors' choices. The study, which includes 110 respondents from the Surkhet Valley, focuses on the variables impacting Nepalese investors' stock market decisions. Multiple choice, ranking, yes/no response, and Likert scale items were all included in the structured questionnaire used to gather the data. The survey was carried out in June of 2018. The three primary variables that impact investment decisions are market related variable (MRV), risk and return related variable (RRV), and business related variable (CRV). Company-related variables include things like management team, financial performance, size, EPS, and DPS; risk-related variables include things like expected return, past return, industry risk, and liquid securities; and market-related variables include things like market information, market price per share, dividend growth, and so on. According to the study's findings, most investors prefer to purchase stock from the primary market, research companies before making decisions, periodically check their portfolios, and fund their stock purchases mostly with their own funds. Ultimately, this study found that business related variables (CRV) had a greater impact on Nepalese investors' investment decisions than did market related variables (MRV) and risk and return related variables (RRV). All regression models showed a positive and significant coefficient of company related variable (CRV). Therefore, it can be said that the Nepalese investor considers company-related factors when making investment decisions.

Rana (2019) investigated the elements influencing Nepali individual stock investors' choices. In the context of the Nepalese stock market, this article aims to investigate the factors that influence individual investors' stock investment decisions. Examining the relative significance of investment decision criteria as judged by investors according to

their demographic traits is another goal of the study. 106 individual investors' sample responses from a structured questionnaire survey conducted between January and April 2019 are used in the study. To identify the common characteristics influencing the sample investors' stock investing decisions, the study uses exploratory factor analysis. The findings of the factor analysis indicate that the sample investors in Nepal are influenced by six common factors when making stock investment decisions: Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision Making Factors. The findings also demonstrate that, in the opinion of the sample investors, Fundamental Market criteria are the most significant of the six criteria that were retrieved.

Dhungana et al. (2018) investigated the behavioral elements affecting the performance and decision-making of individual investors: A Survey at the Nepal Stock Exchange. The purpose of the study is to investigate how individual investor performance and decision-making are influenced by behavioral characteristics. Only five major cities are included in the study, and 350 samples were chosen at random from various broker houses. According to the study, there is a correlation between investment duration and age, gender, and married status. The results of the independent sample t test indicate that gender had no discernible effect on the variables under investigation. Investor performance and decision-making were mostly influenced by behavioral factors. Investors should be given the economic and behavioral tools by the regulating body to enable them to make logical stock market investment decisions.

Dangol and Shakya (2017) investigated the investment habits of Nepalese individuals who are financially literate. The study examines the investment habits of financially knowledgeable individuals using data from 314 Nepali individual investors. ANOVA, logistic regression, and the mean are employed. The findings indicate that investors had a higher degree of financial literacy. Male participants, investors between the ages of 20 and 30, and those with incomes of at least Rs 50,001 had the highest financial literacy scores. Higher income and education levels were associated with higher levels of financial literacy. According to the survey, there were variations in the investment habits of those with high and low financial literacy. These groups vary in their source of investing advice, awareness level, investment goals, investment tenure, and investment

preferences. When all the results of this study are taken into consideration, it can be said that people with high and low financial literacy have different investment habits.

Table 1

Review of major literature

S. N	Authors	Title	Variables	Methodology	Findings
1	Arpaci &Aslan (2024)	Importance of understanding individual investment strategies	Two-factor structure, Reliability and validity, Cultural Orientation correlation	Questionnaires, Correlation analysis, Regression analysis SPSS	The results indicated that long-term investment strategies significantly predict long-term orientation, thus confirming the concurrent validity of the scale. These findings demonstrate that the proposed ISS is a reliable and valid instrument for measuring individuals' short- and long-term investment strategies, contributing to a deeper understanding of investment decision-making processes
2	NOVA University Lisbon (2023)	Factor based investment strategies on the biggest European market.	Factor-based investment strategies, European equity market, Portfolio theory, Momentum	Questionnaire, SPSS, Regression Analysis	On the other hand, both value strategies revealed interesting returns without much higher risk involved. Finally, we achieved better results through a multi-type factor investment strategy by combining factors from said strategies, which can be a sign that these different schools of thought can collaborate effectively. This also exhibited that theoretically efficient

S. N	Authors	Title	Variables	Methodology	Findings
			Strategy, Efficient portfolio		portfolios can have interesting outcomes within the right circumstances, which requires future work.
3	Raju (2023)	Investment Performance: A Returns-Based Factor Analysis	Factors, smallcases, Investment Strategy, Indian Equity	Questionnaires, Quantitative analysis, SPSS	The findings provide preliminary information for investors and investment professionals who want to better understand the factor exposure of small cases.
4	Kartini & Nahda (2021)	Behavioral biases on investment decision: A Case Study in Indonesia.	Investment Decision, Behavioral Finance, Cognitive Bias, Reprensentativeness, Otimisim Bias, Emotional Bias	Questionnaires, quantitative, Snowball sampling, SPSS	The research findings show that all of the variables, anchoring bias, representativeness bias, loss aversion bias, overconfidence bias, optimism bias, and herding behavior have a significant effect on investment decisions. This result emphasizes the influence of behavioral factors on investor's decisions. It contributes to the existing literature in understanding the dynamics of investor's behaviors and enhances the ability of investors in making more informed decision by reducing all

S. N	Authors	Title	Variables	Methodology	Findings
					potential biases.
5	Cuandra & Tan (2021)	Factors that are Considered by Investors in Stocks Investment Decision Making in Batam City.	Investment Decision Making, Stock Market, Investor Behavior, Availability Bias, Reprensentative Bias, Locus of Control	Smart PLS, Questionnaires	Representative bias significantly positively affects investment decision making, availability bias significantly and positively in investment decisions, availability bias moderated locus of control was no effect on investment decision making, and representative bias moderated locus of control has no effect on investment decision making. This research facilitates investors in making investment decisions in Batam city, judging from several factors that influence the decision making helps investors in determining investment and considering every factor that influences Decision making.
6	Evbayiro & Chijuka (2021)	Psychological factors and investment decision in the Nigerian	Psychological factors, Investment decisions, Behavioral biases,	Questionnaires, quantitative, SPSS	The findings of this study suggest that overconfidence, availability bias, and herding impact demonstrated a positive significant relationship with NSE investment decision-making except conservatism which showed a negative relationship

S. N	Authors	Title	Variables	Methodology	Findings
		stock exchange	Availability bias, Herding effect		with investment decision-making but at 0.01 levels statistically significant. On the basis of the results, it can be generalized that the most prevalent factors affecting investor investment decision taking in NSE are overconfidence, availability bias, and herding influence.
7	Sonawane et al., (2021)	Impact of demographic factors on overconfidence bias in investment decision process.	Overconfidence bias, Demographic factors. Investment decision process, Behavioral Finance, Herding behavior	Questionnaires, Correlations, Descriptive Analysis, SPSS	The findings revealed that this study contributes to the existing literature on bias, especially the influence of demographic variables on overconfidence and Herd behavior bias. This study was indicated that investors' education and gender has no an impact on overconfidence bias and herd behavior bias on investors decision.
8	Somathilake (2020)	Factors influencing individual investment decisions in Colombo	Accounting information, Neutral information, Advocate recommen	Questionnaires, Correlations, Descriptive Analysis, Regression Analysis, SPSS	Finding revealed that both neutral information and advocate recommendation influence the individual investment decision but they do not much consider about accounting information. Finally, concluded that respondents were not so rational

S. N	Authors	Title	Variables	Methodology	Findings
		stock exchange	dations, Risk Perception, Individual investment decisions		when they get investment decisions.
9	Hemalatha (2019)	Factors influencing investment decision of the individual related to selected individual investors in Chennai city.	Investment decision, Individual investors, Chennai city. Demographic Factors, Risk perception, Online Trading, Financial literacy	Questionnaires, Correlations, Descriptive Analysis, Regression Analysis, SPSS	The results proved that factors of selection of investment varies according to gender, age, occupation, usage of internet, level of computer knowledge, usage of online trading.
10	Bhagawan & Srikrishna (2024)	Smart-beta investing in India: portfolio construction, implement	Smart-Beta Investing, Portfolio Construction, Investment	Questionnaires, Correlations, Descriptive Analysis, Regression Analysis, SPSS	We find mixed evidence of factor presence; the factor portfolios built on market data such as Illiquid, Winner, Stable, and Size offered better performance than those built on fundamental data such as Value, Strong, and Conservative. The Integrated

S. N	Authors	Title	Variables	Methodology	Findings
		ation, and evaluation	Strategies, Market Efficiency, Risk Management		portfolio does not differ from Mixed and single-factor portfolios, except for underperformance against the Illiquid portfolio. The alternative weighting offered mixed performance at single and multifactor levels.
11	Karpagambigai (2023)	Performance appraisal of tube investments diamond chains, India- A unit of tube investments of India limited in Chennai city	Investment decision, Individual investors, Chennai city. Demographic Factors, Risk perception, Online Trading, Financial literacy	Questionnaires, Correlations, Descriptive Analysis, Regression Analysis, SPSS	The Measurement of Performance appraisal Systems plays a key role in organizations. The performance appraisal system aims to implement an effective strategy for their organizations. Much management has shown that conventional financially based performance appraisal systems have failed to determine and assimilate all the factors serious to the accomplishment of the business. Although performance appraisal systems can play a significant role in communicating, evaluating, and rewarding the achievement of strategic intentions, much management felt that their

S. N	Authors	Title	Variables	Methodology	Findings
					existing appraisal systems do not sufficiently fulfill these functions.
12	Pankajam (2018)	Influence of behavioural factors on Investment decisions making behavior of individual investors	Overconfidence, Herd behavior, Anchoring, Loss aversion, Emotional biases, Investment decision making behavior	Questionnaires, Correlations, Descriptive Analysis, Regression Analysis, SPSS	Based on the study the suggestion given to the individual were they have to conduct self-analysis before an investment planning to get maximum return. For the financial advisors they have to design tailor made products depending upon the needs of each and every investor. The marketers should market their products according to the need and goal of the individuals.
13	Drue (2018)	A comparison of a factor-based investment strategy and machine learning for predicting excess returns on	FBI, Machine learning, SVM, Excess return, JSE, ALSI, Porfolio Construction, Financial Crisis	Regression Analysis, SPSS, Questionnaire	It was found that a single factor FBI can consistently outperform the market, a multi factor FBI also provided consistent excess returns, but the SVM provided consistently larger excess returns with a wide range of factor inputs and beat the FBI in 12 of the 14 different experiments over different time periods.

S. N	Authors	Title	Variables	Methodology	Findings
		the JSE			
14	Yuxi (2024)	Investment portfolio research on a multi-factor quantitative investment model	Multi-factor Investment Strategy, Big Data Analysis, Financial Ratio, market Sentiment, News Sentiment, CI	Coefficient Analysis, Regression Analysis, Questionnaire, SPSS	The findings of this research suggest that a multifactor quantitative investment model can significantly outperform traditional investment strategies.
15	Jan (2021)	Volume Flexibility and Capacity Investment Under demand uncertainty	Flexible manufacturing capacity, Optimal Investment, Multi-Product firm, Demand Uncertainty, Capacity Palling, Resource	Questionnare, Sensitivity Analysis, Scenario Analysis, SPSS	Contrary to the intuition also prevalent in the academic literature, we show that it can be advantageous to invest in flexible resources even with perfectly positively correlated product demands.

S. N	Authors	Title	Variables	Methodology	Findings
16	Stanković (2015)	Invest Decision Making using Technical Analysis: A Study on Select Emerging market Economics	Allocation Investment Decision Making, Emerging market, Stock Market Efficiency, Market Trends, Financial Forecasting, Market behavior, Trading Strategy	Comparative Analysis, Regression Analysis, Questionnaire, SPSS	Outperforming the results of Buy & Hold strategy and technical trading strategies, application of LS-SVM in decision making process on investing on the financial market significantly can contribute to maximization of profitability on investment.
17	Kyiv (2021)	The resource provision of innovation and investment strategies	Investment Decision Making, Financial Forecasting, Market behavior,	Comparative Analysis, Questionnaire, SPSS	The proposed approach to the optimization of resource provision of modernization design of microeconomic systems in the context of Svitlana digitalization involves: formation of a set of applications based on the preferential principle and priority of innovation and investment strategies; assessment of actual indicators of resource efficiency in modernization projects by each participant;

S. N	Authors	Title	Variables	Methodology	Findings
					decision-making on providing resources to the modernization project; determining the completeness and redundancy of the resource allocation between projects; distribution of residual resources.
18	Kvist (2016)	A framework for Social Investment Strategies: integrating generational, life Course and Gender Perspectives in the EU Social Investment Strategy.	Generational Perspective, Life Course Perspective, Gender Perspective	Questionnaire, Descriptive Analysis, SPSS	The gender perspective shows how social investments can improve economic and social returns when gender and ageing over the life course are taken into consideration. Empirically, cross-national patterns indicate a positive relation between social investment policies and returns.
19	Coelho (2021)	Investment strategies applied to the	SA, Deep Learning, Financial market,	Questionnaire, Descriptive analysis,	The results showed: (i) the most appropriate ANN to perform SA in Portuguese is the Convolutional Neural Network;

S. N	Authors	Title	Variables	Methodology	Findings
		Brazilian stock market: A methodology based on sentiment analysis with deep learning.	investment strategies, Social Media analysis	SPSS	(ii) there is a significant influence of the predominant daily news sentiment in the stock market; and (iii) investment strategies based on Sentiment Analysis can bring profitability both in short and in long term, surpassing the strategies Random Walk and Buy & Hold.
20	Challoumis & Constantinos (2024)	From Regulation to Returns – Exploring the Money Cycle's Effect on Investment Strategies	Money Cycle, investment Strategies, Regulation	Qualitative analysis, SPSS	I will explore the money cycle's effects on investment strategies, shedding light on the interplay between regulation, savings, and economic growth.
21	Alberg & Lipton (2017)	Improving Factor-Based Quantitative Investing by Forecasting	Quantitative Investing, Forecasting Fundamentals, Deep learning, Factor	Questionnaire, Descriptive analysis, SPSS	Quantitative analysis demonstrates a significant improvement in MSE over a naive strategy. Moreover, in retrospective analysis using an industry-grade stock portfolio simulator (backtester), we show an improvement in compounded annual return to 17.1% (MLP) vs

S. N	Authors	Title	Variables	Methodology	Findings
		Company Fundamentals	models		14.4% for a standard factor model.
22	Kengatharan (2019)	Factors influencing investment decision in stock market in the Northern Province of Sri Lanka.	Company Stability, Firm's Goodwill, Dividend paid, Past performance of the company's Stock	Questionnaire, T-test, ANOVA Analysis, SPSS	The study disclosed that the socio-economic characteristics of investors (age, gender, marital status, educational qualifications and monthly income) were a statistically significant impact on the investment decisions of individual investors. The study has made a theoretical contribution and proffers many useful practical implications to the investors, practitioners and policy makers.
23	Xyetuo & Sun (2020)	Stock Intelligent Investment Strategy Based on SVM	SVM, Parameter optimization, optimization algorithm, RBF, BP, Intelligent Investment Strategy	Grid Search method, GA, PSO	The empirical results show that under the three-parameter optimization algorithms, the prediction results are higher than the random prediction accuracy, which indicates that it is effective to optimize the model by adjusting the parameters of the SVM. Among them, the SVM using the genetic algorithm parameter optimization under the radial basis kernel function shows the better prediction

S. N	Authors	Title	Variables	Methodology	Findings
					effect, which is the closest to the real value in the stock market forecast.

2.4 Research Gap

A survey of the literature on how financial behavior affects personal investment strategy reveals that the majority of research was conducted using the apparent approach, which took into account the most often used indicators. When reviewing earlier theses, it was discovered that no researcher had used the sample companies chosen for this study. It is therefore thought that this investigation will close the gap that the previous researcher had created. Just investors in the Nepalese stock market were included in the researcher's sample. Furthermore, the researcher used share brokers, market analysts, and individual investors as the main sources of information for their study on financial behavior linked to stock market efficiency. The primary participants in the stock market, share brokers, market analysts, and individual investors, needed to be surveyed. It also demonstrates how little study has been done on many facets of behavioral finance. Individual investment decisions are influenced by a variety of quantitative and qualitative elements. Numerous research have shown that the main determinants of behavioral finance include self-image/firm image coincidence, accounting information, advocate recommendation, neutral information, and individual financial needs. Additionally, the majority of research (Abul, 2019; Jagongo and Mutswenje, 2014; Kandpal and Mehrotra, 2018) did not take into account the element that influences an individual's decision to invest. Because this study is completely distinct from the research that has been done on this specific topic by both national and international researchers. Additionally, unlike other studies to date, this study has examined the role of behavioral finance as well as individual investing decisions. Investors could therefore benefit from the research to learn more about the level of individual investing decision-making and the influencing aspect of behavioral finance.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

The methods utilized in this study is covered in this chapter. The study analyzes the collected data using quantitative approaches. The research design, population and sample, data sources, data collection process, data processing process, and data analysis tools and techniques are all covered in this part. The following approaches are used in this investigation.

3.2 Research Design

Research design provides a set of guidelines to help the researchers move forward in the proper path and accomplish their objectives. In order to accomplish the goal of this study, a descriptive and quantitative research approach was employed. Data was gathered for this study using a self-administered form and a pre-tested questionnaire. The quantitative data gathered by sending questionnaires to the respondents served as the foundation for the research findings.

3.3 Population and Sample

All of the investors in the NEPSE capital market are included in the population. The following formula was used to calculate the sample size based on probability sampling:

$$\text{Necessary Sample Size} = \frac{(\text{Z-score})^2 \text{x} \text{StdDev} \text{ x } (1\text{-Std Dev})}{(\text{Margin of errors})^2}$$

Here's a worked example, assuming the 95% confidence level, 0.5standard deviation, and a margin of error (confidence interval) of +/- 5%

$$\text{Sample Size} = \frac{((1.96)^2 \text{x } .5(.5))}{(0.5)^2} = 384.16 \approx 384$$

For this investigation, 384 respondents were required. 547 respondents were thus selected for the sample. A total of 547 investors were given questionnaires for this research project, along with appropriate instructions on how to complete them. All 547 investors participated in the study as responders. Thus, there was a 100% response rate.

3.4 Nature and Sources of Data

Primary data served as the study's main source of information. Structured questionnaires were used to gather primary data. Five-point Likert scale items, with 1 denoting "strongly disagree" and 5 denoting "strongly agree," are included in the survey. A questionnaire was used to gather data on demographic factors such gender, age, income level, employment type, and educational attainment. After being informed of the study's objectives, respondents were invited to complete a series of questions.

3.5 Instrument of Data Collection

The study's data was mostly gathered through the use of a well-designed questionnaire. Nepali (2019), Pokharel (2018), Tripathi (2016), and Kadariya (2012) used the pre-tested questionnaire to study how individual investors behaved when making investments in Nepalese stock markets. The survey consists of single-answer, five-point Likert scale responses to specified questions. Employees received questionnaires by being approached directly at their place of employment.

3.5.1 Percentage Frequency Distribution

To create a contingency table and frequency distribution, as well as to better visualize the gathered data, percentage analysis was computed. This made comparing the study's findings easier.

3.5.2 Descriptive Statistics

The mean and standard deviation, two descriptive statistics, were employed to characterize the outcomes. The degree of predisposition of the respondents towards the specific attitude and entrepreneurial orientation was ascertained by studying the mean values of their responses. To ascertain the statistics by which the whole answer varied from the mean values, the standard deviation was also employed.

3.5.3 Correlation Coefficient Analysis

A correlation coefficient is a statistical indicator of how well changes in one variable's value forecast changes in another. Between two variable series x (x, y) r, the Karl Pearson measure, also called the Karl Pearson correlation coefficient, can be found. A value between +1 and -1 can be assigned to the correlation coefficient. If both variables have a positive correlation coefficient, they tend to move in the same direction as one another's rises. A negative correlation coefficient indicates that as one variable rises, the other one falls, and vice versa. Variables do not exhibit a linear relationship when the correlation coefficient is around zero.

3.5.4 Multiple Regression Analysis

Linear regression analysis is a basic and widely used type of predictive analysis. It is a set of statistical techniques used to estimate dependent variables based on independent factors. It comprises numerous strategies for studying multiple variables where the goal is to determine the link between a dependent variable and one or more independent variables. Shrestha (2020) conducted research on individual investment decisions using investment method as the dependent variable and x1, x2, x3, x4, and x5 as independent variables. Thus, the following regression model is utilized in this study:

$$Y= \beta0+\beta1\ X1 +\beta2\ X2 +\beta3\ X3 +X4\ \beta4+X5\ \beta5\ldots\ldots\ldots\ldots\ldots\varepsilon i$$

Where, Y = Investment Decision

β0 = Constant parameter

β1, β2, β3 and β4 are the parameters to be estimated

X1 = Psychological Factor

X2= Demographic Factor

X3= Financial Literacy

X4= Economic Condition

X5= Risk Tolerance

(Source of this regression line)

The coefficients β1, β2, β3, β4, and β5 indicate the proportion of positive influence in the dependent variable when the independent variable is changed by one unit. The significance test for coefficients of multiple correlations was performed. This test assessed the overall significance of the regression model, assuming that all independent variables had an effect on the dependent variable.

3.6 Methods of Analysis

In this study, causal and descriptive statistics were employed to capture and understand the substance of the research data. Descriptive statistics methods such as mean and standard deviation were used to describe the results gained, while causal statistics was utilized to demonstrate the relationship between dependent variables and independent factors. The data were displayed in a table, making it easier to evaluate and interpret. Inferential statistics examined the model's dependability using correlation and regression.

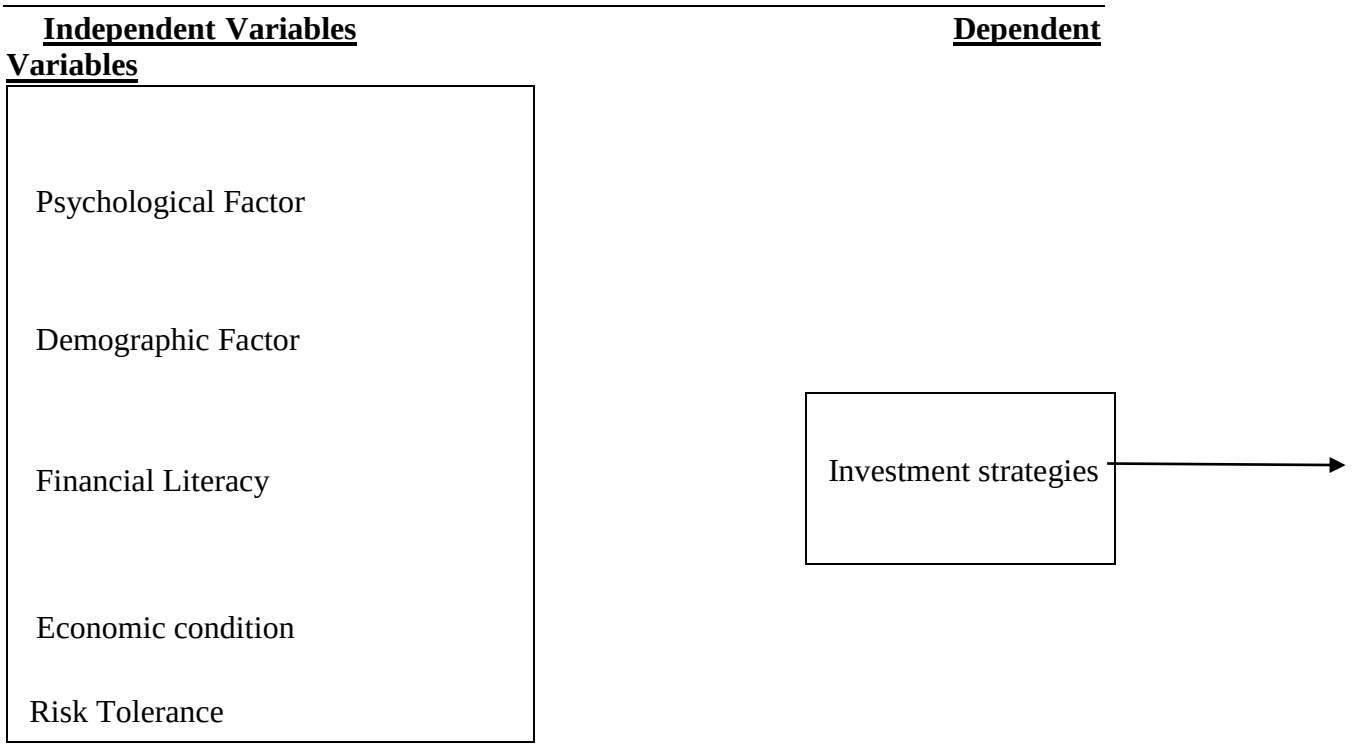
3.7 Research Framework

A research framework is a set of concepts (variables) that researchers use to accomplish the desired outcome. A variable is a measurable characteristic that has varied values for each subject. Independent variables are factors that the researcher manipulates in order to determine their influence on other variables. The dependent variable seeks to represent the total influence resulting from the influence of the independent variable (Pant, 2016). As a result, based on the aforementioned theories and literature, the conceptual framework of this study has been constructed, with psychological factors, demographic

factors, financial literacy, economic condition, and risk tolerance as determining variables. Similarly, moderating variables include age, gender, type of employment, monthly salary, and educational level.

Figure 1

Conceptual Framework



Source: Gnawali (2021) Kunwar (2021) and Vaidya (2021)

Independent Variables

Independent variables are factors that the researcher manipulates in order to determine their influence on other variables. In this study, the independent variables were psychological, demographic, financial literacy, economic status, and risk tolerance.

Psychological Factor

Psychology is the scientific study of the mind and behavior (Nepali 2019). Psychological factors are aspects of your personality that limit or enhance the way you think. Conversation, for example, might be exceedingly tough or very easy depending on your personality. A phobia (an irrational and uncontrollable dread) can limit or even dominate how you think and react. Psychological elements are features or aspects that have an impact on an individual's psychology and social behavior. A collection of assertions that describe and explain mental and behavioral tendencies in the context of society and culture.

Demographic Factor

Population analysis, particularly in terms of size and density, fertility, mortality, growth, age distribution, migration, and vital statistics, as well as their integration with social and economic situations (Pandey et al., 2016). Demographic factors in the social sciences include traits such as work status, place of residence, gender, age, marital status, and degree of education that influence human attitudes and decisions about various interventions and behaviors. These are the features that define a person or a group. Race, age, income, marital status, and educational achievement are some of the most frequent demographic parameters.

Financial Literacy

The ability to efficiently manage financial resources over the course of one's life (Pokharel, 2018). Financial literacy is the capacity to understand and use a variety of financial skills, such as personal financial management, budgeting, and investing. Financial literacy is the capacity to understand and apply numerous financial concepts and abilities required for money management. Financial literacy includes knowing how to manage, invest, and make informed decisions about your finances in order to manage your funds sustainably.

Economic Condition

Examining a company's current situation in terms of its assets, debts, cash flow, and goodwill is crucial for determining its worth for investment purposes (Kadariya, 2012).

The term "economic condition" refers to a person's or a society's financial situation, which includes things like employment, debt, saving, giving, and purchasing. Economic psychology, which examines financial behaviors, saving habits, and spending trends, places a lot of emphasis on it. The current state of the economy in a nation or region is referred to as its economic circumstances. As an economy experiences periods of expansion and contraction, these conditions evolve over time in tandem with business and economic cycles.

Risk Tolerance

The degree of risk exposure that an individual can tolerate; an investor's estimated level of risk tolerance in their investment portfolio (Nepali, 2019).Risk tolerance, as measured by qualitative and or quantitative risk criteria, is associated with accepting the consequences of a risk should they materialize and having the appropriate controls and resources in place to absorb or "tolerance" the specific risk. Investment, particularly stock investing, is almost associated with risk. But different people can handle different amounts of risk, which could have negative consequences, such as panicked selling of shares at the wrong time. As a result, everyone should have a tangible project investment of some sort.

Dependent Variable

Investment strategies

The study's dependent variable is the degree of personal investing strategy. A psychometric tool specifically created to gauge an investor's financial behavior is the individual investment strategy.

According to Fabozzi (2014), investment strategies provide a structured framework that enables investors to manage portfolios effectively by balancing risk and return. This study adopts this conceptual foundation to examine how individual investors meet their financial goals.

A collection of guidelines intended to assist a single investor in reaching their financial and investment objectives is referred to as an investment plan. An investor's decisions are guided by this strategy, which takes into account their objectives, risk tolerance, and anticipated capital requirements. An investment strategy is a comprehensive plan of action that outlines the investment's risk-return alignment. Increasing your wealth through

investments in various asset classes over predetermined time periods may be the main goal of your investment strategy.

3.8 Validity

The extent to which a test or measuring tool is actually measuring what it is supposed to measure is known as validity (Kunwar, 2021). To make sure the questionnaire was valid, the current study pre-tested it. 547 individual investors in the Nepalese stock market provided responses to the questionnaire in order to pretest it. Certain changes were made to the questionnaire in order to suit the study's objectives after the pre-test results were obtained.

3.9 Analysis Tools

Data analysis tools aid in the interpretation of acquired data. It allows them to report findings and develop interpretations. The method used to analyze the data was determined by the project's goals and the type of data collected. This study focuses on qualitative data, and the analytical procedures used include the Reliability Test, Percentage Frequency Distribution, Correlation Coefficient Analysis, and Casual Comparative Analysis.

3.9.1 Reliability Test

Table 2

Test of Reliability

Variance	Cronbach's Alpha	No. of Items
Phycological Factor	.955	5
Demographic Factor	.963	4
Financial Literacy	.976	4
Economic Condition	.920	4
Risk Tolerance	.954	4
Investment Decision	.911	4

Overall	.985	6

Source: SPSS

The reliability of the study was tested using α, which measures the internal consistency and reliability of measurements that were in the form of continuous variables like the 5-point Likert Scale. Cronbach's Alpha, also known as the coefficient of reliability (or consistency), ensures that the instrument is free from any biases. The criteria of Cronbach's alpha for establishing the internal consistency reliability are: Excellent (α>0.9), Good (0.7<α<α<α Table 1 highlights the value of Cronbach's Alpha for overall variables under the study was greater than 0.7 (i.e., 0.985), which supports the idea that the study was reliable. The highest Cronbach's alpha value in this study was financial literacy (0.976). The data was highly reliable in terms of internal consistency, as evidenced by the highest reliability of the questions, followed by the demographic factor (0.963), psychological factor (0.955), risk tolerance (0.954), economic condition (0.920), and individual investment decision (0.911). The study was deemed credible because the Cronbach's Alpha value for all of the variables included in the study was higher than 0.7.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Results

The analysis results that came from the data collection procedure are described in this chapter. The analysis and interpretation of the primary data gathered from 547 respondents via questionnaires are its main topics. As stated in the previous chapter, the data were examined in light of the study's objectives. Presenting the findings of the questionnaire survey and analyzing and interpreting the data gathered are the main goals of this chapter. With the results of the data analysis, the primary goal of this research study was achieved. This chapter therefore reported and examined the study's findings. The questionnaire was created using five scales, with five denoting "strongly agree," four agree, three neutral, two disagree, and one strongly disagree. Regression analysis was employed in the study to examine the impact of independent variables on dependent variables. 547 (100%) of the 547 questionnaires that were given to individual investors for the study were deemed legitimate and utilized for analysis. The SPSS software version was used to present and evaluate the gathered data.

4.1.1 Demographic Background of the Respondents

This section displayed the respondents' demographic characteristics. The respondents' personal profiles were examined according to their age, gender, monthly income, type of work, and educational attainment. Gender categories included male, female, and others, while educational levels were separated into three categories: up to +2, graduate, and above graduate. Three categories were used to categorize respondent age: under 30, 30 to 50, and over 50. In the end, monthly incomes were split into three categories: those under Rs. 30,000, those between Rs. 30,000 and Rs. 50,000, and those over Rs. 50,000. Employment types were further separated into contract and permanent positions. The demographic data were subjected to descriptive statistics in order to characterize the respondents. Furthermore, a statistical test was performed to examine the distinction between the impact of individual investors and investment decisions.

Table 3

General Characteristics of the Respondents

Dimension	Frequency	Percent
Age of the respondents (in years)		
Under 30	224	41
30-50	207	37.8
Above 50s	116	21.2
Total	547	100
Gender of the respondents		
Male	237	43.3
Female	309	56.5
Other	1	0.2
Total	547	100
Types of Employment		
Contract	204	37.3
Permanent	343	62.7
Total	547	100
Monthly Income of the Respondent		
Below Rs 30,000	212	38.8
Rs 30,000 – Rs 50,000	288	52.7
Above Rs 50,000	47	8.6
Total	547	100
Qualification of the Respondent		

Up to Plus 2	83	15.2
Bachelor	232	42.4
Above Bachelor	232	42.4
Total	547	100

Source: Online Survey, 2025

The respondents' general characteristics are displayed in Table 3. Demographic characteristics were measured in the study by education level, monthly income, employment type, age, and gender. 309 women, 237 men, and one other were classified as females, males, and others. 56.5 percent, 43.3 percent, and 0.2 percent were the respective percentages. Respondents were divided into three age groups: under 30, 30 to 50, and above 50. The corresponding frequencies were 224, 207, and 116. The corresponding percentages were 41 percent, 37.8 percent, 21.2 percent, and 19.5 percent. With frequencies of 212, 288 and 47, respectively, income level was divided into three groups: those under Rs. 30,000, those between Rs. 30,000 and Rs. 50,000, and those over Rs. 50,000. In that order, the percentages were 38.8%, 52.7 percent, and 8.6 percent. Four categories of educational level were distinguished: graduate, up to +2 Levels, and above graduate, with corresponding frequencies of 83, 232, and 232. 15.2 percent, 42.4 percent, and 42.4 percent were the corresponding percentages. Contract workers and permanent workers were separated into two categories: 204 contract workers and 343 permanent workers. 37.3 percent and 62.7 percent, respectively, were the percentages.

4.1.2 Descriptive Statistics of Dependent and Independent Variables

A variable or variables for a sample of data can be summarized and described using descriptive statistics. Additionally, descriptive statistics can be used to analyze relationships between two variables (bivariate analysis), summarize a single variable at a time (univariate analysis), and analyze relationships between three or more variables (multivariate analysis). The rest of this page describes how to perform univariate, bivariate, and multivariate analysis using descriptive statistics.

Psychological Factors

This section uses descriptive analysis to present the psychological elements scenario. Five distinct statements were used in this study to gauge the psychological aspects of individual investors using a five-point Likert scale: 1. Disagree strongly to 5. Agree strongly.

Table 4

Descriptive Statistics of Psychological Factors

Statements	Mean	Std. Deviation
I stick with a consistent investment strategy even if the stock market is volatile.	4.102	0.835
I have high level of self-confidence in my investment decisions.	4.143	0.811
I feel satisfied with my investment decisions in the last year (including selling, buying, choosing stocks, and deciding the stock volumes).	3.413	1.183
I have the ability to handle difficulty situations in stock market.	3.444	1.091
I am attracted to reasonable market price of a share.	4.210	0.901
Overall	3.863	0.898
Valid N (listwise)	547	

Source: Appendix II

Table 4 displays the psychological components' descriptive statistics. Mean values for the five statements were 4.102, 4.143, and 3.444, with standard deviations of 0.835, 0.811, and 1.091, respectively. These statements included "I have a high level of self-confidence in my investment decisions," "I stick with a consistent investment strategy even if the stock market is volatile," and "I have the ability to handle difficult situations in stock market." Similarly, the statement "I am attracted to reasonable market price of a share" had the highest mean (i.e., 4.210) with the standard deviation of 0.901, while the statement "I feel satisfied with my investment decisions in the last year (including selling,

buying, choosing stocks, and deciding the stock volumes)" had the lowest mean (i.e., 3.413) and the highest standard deviation (i.e., 1.183). Between Strongly Disagree (1) and Strongly Agree (5), the response fell somewhere in the middle. With an aggregate mean value of 3.863 and a standard deviation of 0.898, this descriptive analysis effectively illustrates the independent factor—that is, psychological factors—on individual investment decisions.

Demographic Factors

The decision to invest was heavily influenced by demographic factors. The purpose of this study is to determine whether demographic characteristics influence investment choices. One of the independent variables influencing investment decisions is demographics, which includes four statements with a five-point Likert scale: 1. Disagree strongly to 5. Agree strongly.

Table 5

Descriptive Statistics of Demographic Factors

Statements	Mean	Std. Deviation
My religious and political view will affect my decision making.	2.976	1.390
Increase in income level raises my interest on financial instruments.	3.291	1.103
My income levels effect the maturity date of the investments I make.	3.594	1.185
My family structure will affect my investment decisions.	3.510	1.190
Overall	3.343	1.159
Valid N (listwise)	547	

Source: Appendix II

Table 5 displays the demographic factors' descriptive statistics. Out of the four statements, the one that stated that "My income levels affect the maturity date of the investments I make" had the highest mean (3.594) and the standard deviation was 1.185. The statement that stated that "My religious and political views will affect my decision making" had the lowest mean (2.976) and the standard deviation was 1.390. The mean

values for the questions "My family structure will affect my investment decisions" and "Increase in income level raises my interest on financial instruments" were 3.291 and 3.510, respectively, with standard deviations of 1.103 and 1.190. Strongly Disagree (1) and Strongly Agree (5) were the responses that the respondent fell between. Demographic factors had a mean of 3.343 overall, with a standard deviation of 1.159. Therefore, this table shows that, according to descriptive analysis, the independent factor demographic factors on each investor's choice of investment was not terrible.

Financial Literacy

Descriptive analysis is used in this part to present the financial literacy scenario. Four distinct statements that were evaluated on a five-point Likert scale comprise the financial literacy of individual investors in this study: From 1 (strongly disagree) to 5 (strongly agree).

Table 6

Descriptive Statistics of Financial Literacy

Statements	Mean	Std. Deviation
I use trend analysis of some representative stocks to make investment decisions for all stocks that you invest.	3.077	1.438
I have sufficient knowledge of the market trend.	3.106	1.352
I rely on my previous experiences in the market for your next investment.	2.475	1.630
I put the past trends of stocks under my consideration for your investment.	3.146	1.254
Overall	2.951	1.306
Valid N (listwise)	547	

Source: Appendix II

Table 6 displays the descriptive statistics of financial literacy. The overall mean was 2.951 with a standard deviation of 1.306, indicating that financial literacy had a favorable impact on investment decisions. The statements "I have sufficient knowledge of the

market trend" and "I use trend analysis of some representative stocks to make investment decisions for all stocks that you invest" had the highest mean (i.e., 3.146) and standard deviation (i.e., 1.352 and 1.438, respectively) among the four statements. "I put the past trends of stocks under my consideration for your investment" had the highest mean (i.e., 3.146) and the standard deviation was 1.254. The statement that had the lowest mean (2.475) and standard deviation (1.360) was "I rely on my previous experiences in the market for your next investment." The reply fell somewhere between (1) Strongly Disagree and (5) Strongly Agree. Therefore, this part uses descriptive analysis to show that financial literacy, an independent characteristic, has neither negative or positive impact on an individual's investment decision.

Economic Condition

The state of the economy also had a significant impact on individual investors' decision to invest. One of the independent variables influencing investment decisions is the situation of the economy, which comprises four statements with a five-point Likert scale: From 1 (strongly disagree) to 5 (strongly agree).

Table 7

Descriptive Statistics of Economic Condition

Statements	Mean	Std. Deviation
Economic stability is a key element effecting investment decisions for me.	4.251	0.963
I buy 'hot' stocks and avoid stocks that have performed poorly in the recent past.	4.144	0.9705
Market information is important for my stock investment.	4.068	0.821
I prefer to invest in the share of that company which gave me a profit in past.	3.201	1.293
Overall	3.961	0.872
Valid N (listwise)	547	

Source: Appendix II

Table 7 displays the descriptive statistics for the economic situation. The statement "Economic stability is a key element effecting investment decisions for me" had the highest mean value (i.e., 4.251) with a standard deviation of 0.963, while the statement "I prefer to invest in the share of that company which gave me a profit in the past" had the lowest mean (3.201) with a standard deviation of 1.293. Whereas phrases "I buy 'hot' stocks and avoid stocks that have performed poorly in the recent past" and "Market information is important for my stock investment" had mean values of 4.144 and 4.068, respectively, with standard deviations of 0.705 and 0.821. The respondent scored somewhere between Strongly Disagree (1) and Strongly Agree (5). The overall mean value of economic situation was 3.916, with a standard deviation of 0.872. Thus, this part demonstrates that the independent factor (i.e. economic state) on individual investment decisions was not harmful using descriptive analysis.

Risk Tolerance

This section describes the scenario of risk tolerance using descriptive analysis. In this study, risk tolerance covers four separate statements that were scored on a five-point Likert scale: 1- Strongly disagree to 5-Strongly agree.

Table 8

Descriptive Statistics of Risk Tolerance

Statements	Mean	Std. Deviation
I prefer traditional investment tools (real estate, gold etc.).	3.384	1.086
I prefer less risky investment tools to risky investment tools.	3.269	1.246
I believe that successful people always take risks.	3.340	1.100
I assess my risk tolerance level.	3.916	0.916
Overall	3.477	1.025
Valid N (listwise)	547	

Source: Appendix II

Table 8 displays the descriptive statistics for risk tolerance. Among the four statements, "I assess my risk tolerance level" had the highest mean value (3.916) with a standard deviation of 0.916, followed by "I prefer traditional investment tools (real estate, gold, etc.)" and "I believe that successful people always take risks" with mean values of 3.384 and 3.340, and standard deviations of 1.086 and 1.100, respectively. The statement "I prefer less risky investment tools to risky investment tools" had the lowest mean value (3.269) and the standard deviation of 1.246. The overall mean value of risk tolerance was 3.477, with a standard deviation of 1.025. That is why this section's presentation of the independent component (i.e., risk tolerance) on individual investment decisions through descriptive analysis proved effective.

Individual Investment Decision

Individual investing decisions are one of the study's dependent variables. In this study, the level of individual investment decision contains four separate assertions that were scored using a five-point Likert scale: 1- Strongly disagree to 5-Strongly agree.

Table 9

Descriptive Statistics of Individual Investment Decision

Statements	Mean	Std. Deviation
I am confident of my ability to do better than others in picking stocks.	2.645	1.303
I usually invest in companies I am familiar with.	4.278	0.864
I regularly make investment decision on my own.	3.978	0.676
I regularly make investment decision on my own.	4.048	0.735
Overall	3.737	0.824
Valid N (listwise)	547	

Source: Appendix II

Table 9 shows the descriptive statistics for the individual investment decision, one of the study's dependent variables. The mean values for the four statements "When my investments do not produce the results that I hoped for, I will consult with a financial adviser before taking any further action" and "I regularly make investment decisions on

my own" were 4.048 and 3.978, respectively, with standard deviations of 0.735 and 0.676. The statement "I usually invest in companies I am familiar with" had the highest mean value (4.278) with a standard deviation of 0.864, while the statement "I am confident of my ability to do better than others in picking stocks" had the lowest mean value (2.645) and a standard deviation of 1.303. The reply fell between Strongly Disagree (1) and Strongly Agree (5). The average value of individual investment decisions was 3.737, with a standard deviation of 0.824. Thus, this portion demonstrates that the degree of individual investment decision by descriptive analysis was satisfactory.

Summary of all Variables

This section provides a descriptive examination of all variables in the study, including the dependent variable (investment choice) and independent factors (psychological factor, demographic factor, financial literacy, economic condition, and risk tolerance). This study's summary of all variables I am confident in my ability to outperform others in stock selecting. 2.645 1.303 I normally invest in companies that I'm familiar with. 4.278 .864 I often make my own investment decisions. 3.978 .676 When my investments do not achieve the desired results, I will contact with a financial advisor before taking any additional action. 4.048 .735 Overall 3.737.824 Valid number (listwise) 547 Source: Online Survey, 2022 comprises six separate assertions that were measured using a five-point Likert scale: 1- Strongly disagree to 5-Strongly agree.

Table 10

Overall Summary of all Variables

Statements	Mean	Std. Deviation
Psychological Factors	3.863	0.898
Demographic Factors	3.343	1.159
Financial Literacy	2.951	1.306
Economic Condition	3.916	0.872
Risk Tolerance	3.477	1.025
Individual Investment Decision	3.737	0.824

Valid N (listwise)	547

Source: Appendix II

Table 10 presents a summary of all variables in the study using descriptive statistical analysis. The magnitude of the investor's individual investment decision was 3.737, with a standard deviation of 0.824, indicating that the level of individual investment decision was high among share market investors. Among the factors influencing individual investment decisions, "economic condition" had the highest mean value (3.916) with a standard deviation of 0.872, followed by "psychological factor," "risk tolerance," and "demographic factor" with mean values of 3.863, 3.477, and 3.343, respectively, with standard deviations of 0.898, 1.025, and 1.159. And component "Financial Literacy" had the lowest mean value (3.951), with a standard deviation of 1.306. Thus, this section displays the dependent and independent factors using descriptive analysis, which is not terrible.

4.1.3 Correlation Analysis

The study aimed to investigate the relationship between independent factors and the level of individual investment decisions. This was accomplished using correlation and regression analysis. A Pearson correlation was used to determine how the variables linked to one another. In this section, the study determined the statistical link between the independent factors (psychological, demographic, financial literacy, economic condition, and risk tolerance) and the dependent component (investment decision).

Table 11

Karl Pearson's Correlation Coefficient

Correlations[a]

	IID	PF	DF	FL	EC	RT
IID	1.000					
PF	0.962*	1.000				
DF	0.917*	0.855**	1.000			
FL	0.891**	0.606**	0.350**	1.000		
EC	0.957**	0.790**	0.173**	0.458**	1.000	
RT	0.927**	0.770**	0.404*	0.683**	0.483**	1.000

Listwise N=547

Source: Appendix II

Notes: The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.

Table 11 displays the Kendall's correlation coefficient for dependent (individual investment methods) and independent (psychological factor, demographic factor, financial literacy, economic condition, and risk tolerance) factors in investment decision. The association between the level of individual investment decision and psychological, demographic, financial literacy, economic state, and risk tolerance, with a sample size of 547 respondents and a significance level of 0.01. According to the correlation, the output ranges from -1 to 1. A positive value implies that the variables are positively associated, whereas a negative value shows that they are negatively related. The psychological

component (r=.962, sig=.000), demographic factor (r=.917, sig=.000), financial literacy (r=.891, sig=.000), economic situation (r=.957, sig=.000), and risk tolerance (r=.927, sig=.000) all had a substantial positive association with individual investing decisions. Table aimed to examine the association between investment behavior components applied by all dependent variables and individual investment decisions. The findings revealed that there was a substantial association between the determinants of investing behaviors (i.e., self-image/firms image coincidence, accounting information, advocate recommendation, neutral information, and personal financial needs) and individual investment decisions.

4.1.4 Multiple Regression Analysis

In this study, multiple regressions were used to investigate the association between psychological factors, demographic factors, financial literacy, economic condition, and risk tolerance and individual investing decisions. Stepwise regression was used to investigate the relationship between the independent factors and individual investment decisions.

Table 12

Regression Results

Model	Beta	T	Sig
(Constant)	0.167	2.846	0.005
Psychological Factors	0.659	10.664	0.002
Demographic Factors	-0.175	-3.015	0.003
Financial Literacy	0.175	4.448	0.005
Economic Condition	0.48	9.035	0.001
Risk Tolerance	-0.226	-4.514	0.004
Adjusted R square			0.937
F-Value			1632.34
P-Value of F Statistic			0.002[b]

a. Dependent Variable: Individual Investment Strategies

b. Predictors: (Constant), Risk Tolerance, Financial Literacy, Economic Condition, Psychological Factors, Demographic Factors

Source: Appendix II

Table 12 reveals that the model's R-squared and adjusted R-squared statistics were 93.8% and 93.7%, respectively. The results show that the changes in the independent variables account for 93.7% of the changes in the dependent variable. That suggests that psychological factors, demographic factors, financial literacy, economic status, and risk tolerance accounted for 93.7% of the changes in individual investment decision levels. The R-Square (coefficient of determination) statistic is often used to assess model fit. R-square is calculated by subtracting 1 from the residual variability ratio. The above table predicted the effect of independent factors (i.e., psychological factor, demographic factor, financial literacy, economic situation, and risk tolerance) on the degree of individual investment choice, with a regression value of 347.853 and a residual value of 23.058. F-test: F (5, 541) = 1632.338. The study found a statistically significant connection ($p = 0.000 < 0.05$).

In Table 11, the co-efficient value for the psychological element was.659. This means that, when all other independent factors (demographic factor, financial literacy, economic condition, and risk tolerance) are left constant, individual investment decisions increase by 65.9% if the psychological factor improves 100%. This was statistically significant ($.0000<0.05$), indicating that the variable (psychological element) contributed uniquely to the prediction of the dependent variable (individual investment decision).

The co-efficient value for the demographic factor was -0.175. This suggests that, when all other independent factors (psychological factor, financial literacy, economic state, and risk tolerance) are maintained constant, individual investment decisions increase by -17.5% if the demographic component improves 100%. This was statistically significant ($.003 < 0.05$), indicating that the demographic factor had a distinctive contribution to predicting the dependent variable (individual investment decisions).

Financial literacy had a co-efficient value of 0.175. This means that, all other things being equal, when the other independent variables (psychological factor, demographic factor, economic condition, and risk tolerance) are held constant, individual investment decisions rise by 17.5% if financial literacy is improved completely. The variable (financial literacy) significantly contributed to predicting the dependent variable (individual investment decision) (p-value < 0.05).

The co-efficient for economic condition was 0.480. This suggests that if the other independent factors (psychological factor, demographic factor, financial literacy, and risk tolerance) were held constant, individual investment decisions would increase by 48.0% if the economic situation improved completely. This was statistically significant (.000 > 0.05), indicating that the variable (economic condition) contributed uniquely to the prediction of the dependent variable (individual investment decision).

The risk tolerance coefficient was -0.226. This indicates that, if risk tolerance improves by 100%, the individual investment choice increases by -22.6%, all other things being equal, while the other independent variables (demographic, financial literacy, psychological, and economic conditions) are held constant. This was statistically significant (0.002<0.05), meaning that the variable (risk tolerance) was significantly and uniquely contributing to the prediction of the dependent variable (personal investment decision).

4.2 Findings and Discussions

The analysis revealed that economic conditions had the greatest influence on investment decisions, followed by psychological factors, risk tolerance, and demographic factors. The factor with the lowest mean value was financial literacy.

This study's findings were compared to prior research conducted by Thapa (2013), who also studied individual investors' behavior in the Nepalese stock market. While both studies agreed on the influence of demographic and behavioral factors, the sample size differed significantly (138 respondents in Thapa's study vs. 547 respondents in this study), which may explain some discrepancies in the findings, particularly concerning demographic characteristics.

The regression analysis suggested that each independent variable had a significant impact on individual investment prediction. Moreover, the results showed that there was a strong positive correlation between investment behavior factors and individual investment decisions.

Pandey, et al., (2016) found a statistically significant positive correlation ($p < 0.05$) between investment behavior and individual investment decisions, aligning with the conclusions drawn in the current research.

The Cronbach's Alpha values for all variables exceeded 0.7, confirming the reliability of the study. Additionally, the p-value for the correlation between all independent variables (psychological, demographic, financial literacy, economic conditions, and risk tolerance) and the dependent variable (individual investment decision) was significant at the 5% level of significance ($p < 0.05$).

A key difference arises when comparing this study's findings with Pokharel (2018). Pokharel's study did not find a significant relationship between risk tolerance and individual investment decisions. In contrast, the present study found risk tolerance to be a significant factor influencing investment decision.

The results of this study are also consistent with Nepali (2019), who examined individual investors' behavior in Nepal's stock market. However, Nepali's study used both descriptive and analytical research designs, while this study utilized both descriptive and causal designs, resulting in a methodological difference.

The findings of this study are comparable to those of Risal (2020), who explored factors influencing investment behavior. The main difference between the two studies lies in the methodological approach, with Risal employing descriptive and analytical designs, while this study used a causal and descriptive approach.

CHAPTER V

SUMMARY AND CONCLUSION

Based on the goal of the research study, this chapter presents the study's summary, results, and implications.

5.1 Summary

The study looks at the main factors influencing individual investors' investment decisions and analyzes the connection between such decisions and investment behavior in Nepalese stock markets. Using a causal and descriptive research approach, the study analyzed the relationship between the variables and discovered associations between them. Data was gathered for this study using a self-administered form and a pre-tested questionnaire. The quantitative data gathered by sending questionnaires to the respondents served as the foundation for the research findings.

The population consists of all Nepalese stock market investors. Using random sampling, 384 respondents were required from the entire population for this investigation. 547 Nepalese capital market investors were thus selected as a sample. This study also employed the judgment sampling method. The investors were given a thorough explanation of the study's objectives and the questionnaire completion procedure, along with a total of 547 questionnaires. Primarily, the study relied on primary data. In order to gather primary data, a structured questionnaire technique was employed. Likert scale questions with five points, from 1 (strongly disagree) to 5 (strongly agree), are included in the survey.

A questionnaire was used to gather data on demographic factors such gender, age, income, employment type, and educational attainment. After being informed of the study's objectives, respondents were invited to complete a series of questions. The questionnaire was created using five scales, with five denoting "strongly agree," four agree, three neutral, two disagree, and one strongly disagree. Regression analysis was employed in the study to examine the impact of independent variables on dependent variables. Investors received 547 questionnaires for the survey, of which 547 (100%) were deemed legitimate and utilized for analysis. The SPSS software version was used to present and evaluate the gathered data.

Personal investing decisions were significantly positively correlated with psychological factors, demographic factors, financial literacy, economic conditions, and risk tolerance. The goal of this study was to ascertain the relationship between each dependent variable's implementation of investment behavior characteristics and the individual's investment decision. The data indicated that all hypotheses were accepted and that there was a high association between the determinants of investment behavior and individual investment decisions.

The study predicted how independent factors—such as risk tolerance, financial literacy, demographics, psychological factors, and economic conditions—would affect the degree of individual investment decisions. It also found a significant value that showed a statistically meaningful association. Lastly, the Cronbach's Alpha score for all of the study's variables is higher than 0.7, confirming the study's reliability.

5.2 Conclusion

This study's primary goal is to evaluate the factors that affect stock market investment behavior. In order to ascertain the correlation between the factors of investment behaviors as implemented by all dependent variables (i.e., psychological factor, demographic factor, financial literacy, economic condition, and risk tolerance) and independent variables (i.e., individual investment decision), the study determined the relationship between psychological factor, demographic factor, financial literacy, economic condition, and risk tolerance with individual investment decision. The results indicated a substantial relationship between the elements of investment practices and personal investment choices.

The descriptive analysis used in the study to present the independent and dependent factors was not terrible. Furthermore, the study's overall variables had Cronbach's Alpha values greater than 0.7, supporting the idea that it was a reputable study. Psychology, demographics, financial literacy, economic conditions, and risk tolerance were all positively correlated with the degree of individual investment decision-making, according to the study. The regression's coefficients are inferred from the outcome. The results showed that every independent variable was essential in forecasting each investor's choice in the Nepalese stock market.

According to the study, when the other independent variables (risk tolerance, financial literacy, economic condition, and demographic factor) were held constant, the

psychological factor's coefficient value contributed uniquely to the prediction of the dependent variable (individual investment decision). When all other independent factors (risk tolerance, financial literacy, psychological factor, and economic condition) were held constant, the demographic component's coefficient value was contributing uniquely to the prediction of the dependent variable (individual investment decision). When the other independent variables (risk tolerance, economic condition, demographics, and psychological factors) were held constant, the financial literacy coefficient value made a statistically significant unique contribution to the prediction of the dependent variable (individual investment decision). When the other independent variables (risk tolerance, financial literacy, demographics, and psychological factors) were held constant, the economic condition co-efficient value made a distinct contribution to the prediction of the dependent variable (individual investment decision). Holding the other independent variables (economic condition, financial literacy, demographics, and psychological factors) constant, the risk tolerance coefficient value was making a noteworthy unique contribution to the prediction of the dependent variable (individual investment decision).

5.3 Implications

Before making an investment decision, investors should thoroughly consider the investment considerations and use reasonable business expertise. Investors should be able to analyze market and economic indicators because they affect the performance of a share on the market. The study's findings were expected to bring value to behavioral finance theory. This study's intended audience included academics, professionals, and policymakers. The research findings could only be generalized if the study had been undertaken in the rest of the country's cluster.

Since this research project only used one case study, additional testing is required to confirm the method's applicability. Furthermore, there are numerous intriguing facets of the broad topic of investment behavior and individual investment decisions that warrant further study. Individual investing decisions and investment behavior were investigated in a number of separate studies. Positive, significant associations were found in nearly all of the studies. Thus, the researcher proposes that the analysis of individual investment decisions and investing behavior is no longer necessary. It may make sense to carry out a study to examine investment behavior and individual investment decisions only if it is required for a particular sample.

The measure of investment behavior and individual investment decision only consists of a few items that represent various facets of investment behavior and individual investment decision; it does not provide a comprehensive picture of these topics. In light of this outcome variable, it is advised that future study take into account more items and better measures.

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APPENDIX I

QUESTIONNERE

I am student of Masters of Business Studies (MBS) of Shanker Dev Campus, Tribhuvan University, as a part of my study; I am conducting research on "**EVALUTION THE PERFORMANCE OF FACTOR BASED INVESTMENT STRATEGIES**". I will appreciate for your time and patience to complete this questionnaire with your genuine response.

Section A. Personal Information

Name of member (Optional)…….

Education…….

DEMOGRAPHICINFORMATION

PleaseTICK{√}appropriatebox.

1. Gender

Male	
Female	
Other	

2. Age Group

Under 30 years	
30-35years	
Above 35years	

3. Educational Qualification

Up to Plus 2	
Bachelor	
Above Bachelor	

4. Types of Employment

Contract	
Permanent	

5. Monthly Income of the respondent

Below Rs 30,000	
Rs 30,000 – Rs 50,000	
Above Rs 50,000	

Section B

This section contains the questionnaire related to the "**EVALUTION THE PERFORMANCE OF FACTOR BASED INVESTMENT STRATEGIES**". Has Eight sub-dimensions, Psychological Factor, Demographic Factor, Financial Literacy, Economic condition, Risk Tolerance and Individual Investment strategies.

.

Please mark the appropriate response to indicate your personal feelings on the following basis:

1- **Strongly Agree (SA), 2- Agree (A), 3- Neutral (N), 4- Disagree (D), 5- Strongly Disagree (SD)**

Independent Variables						
SN	**Psychological Factor**	SA	A	N	D	SD
1	I stick with a consistent investment strategy even if the stock market is volatile.					
2	I have high level of self-confidence in my investment decisions.					
3	I feel satisfied with my investment decisions in the last year (including selling, buying, choosing stocks, and deciding the stock volumes).					
4	I have the ability to handle difficulty situations in stock market.					
5	I am attracted to reasonable market price of a share.					
	Demographic Factor					
1	My religious and political view will affect my decision making.					
2	Increase in income level raises my interest on financial instruments.					
3	My income levels effect the maturity date of the investments I make.					
4	My family structure will affect my investment decisions.					
	Financial Literary					
1	I use trend analysis of some representative stocks to make investment decisions for all stocks that you invest.					
2	I have sufficient knowledge of the market trend.					
3	I rely on my previous experiences in the market for your next investment.					
4	I put the past trends of stocks under my consideration for your investment.					
	Economic Condition					
1	Economic stability is a key element effecting investment decisions for me.					
2	I buy ‘hot’ stocks and avoid stocks that have performed poorly					

	in the recent past.					
3	Market information is important for my stock investment.					
4	I prefer to invest in the share of that company which gave me a profit in past.					
Risk Tolerance						
1	I prefer traditional investment tools (real estate, gold etc.).					
2	I prefer less risky investment tools to risky investment tools.					
3	I believe that successful people always take risks.					
4	I assess my risk tolerance level.					
Independent Variables						
Investment Strategies						
1	I am confident of my ability to do better than others in picking stocks.					
2	I usually invest in companies I am familiar with.					
3	I regularly make investment decision on my own.					
4	I regularly make investment decision on my own.					

Thank You!!

Appendix II

Regression

Coefficients[a]						
Model				Beta	t	Sig.
1	(Constant)			0.167	2.846	0.005
	PY			0.659	10.664	0.002
	DF			-0.175	-3.015	0.003
	FL			0.175	4.448	0.005
	EC			0.48	9.035	0.001
	RT			-0.226	-4.514	0.004
Adjusted R Square F- Value P- Value Of F Statistics						0.937 1632.34 0.002[b]

Source: Researcher calculation using SPSS

Correlations

		IS	PY	DF	FL	EC	RT
IS	Pearson Correlation	1					
PY	Pearson Correlation	0.962*	1				
DF	Pearson Correlation	0.917*	0.855**	1			
FL	Pearson Correlation	0.891**	0.606**	0.350**	1		
EC	Pearson Correlation	0.957**[*]	0.790**	0.173**	0.458**	1	
RT	Pearson Correlation	0.927**	0.770**	0.404*	0.683**	0.483**	1

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PY				3.863	0.898
DF				3.343	1.159
FL				2.951	1.306
EC				3.916	0.872
RT				3.477	1.025
IS				3.737	0.824
Valid N (listwise)				547	

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PF1				4.102	0.835
PF2				4.143	0.811
PF3				3.413	1.183
PF4				3.444	1.091
PF5				4.210	0.901
Valid N (listwise)/ Overall	547			3.863	0.898

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DF1				2.976	1.390
DF2				3.291	1.103
DF3				3.594	1.185
DF4				3.510	1.190
Valid N (listwise)/ Overall	547			3.343	1.159

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation

FL1				3.077	1.438
FL2				3.106	1.352
FL3				2.475	1.630
FL4				3.146	1.254
Valid N (listwise)/ Overall	547			2.951	1.306

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EC1				4.251	0.963
EC2				4.144	0.971
EC3				4.068	0.821
EC4				3.201	1.293
Valid N (listwise)/ Overall	547			3.961	0.872

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RT1				3.384	1.086
RT2				3.269	1.246
RT3				3.340	1.100
RT4				3.916	0.916
Valid N (listwise)/ Overall	547			3.477	1.025

Source: Researcher calculation using SPSS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IS1				2.645	1.303
IS2				4.278	0.864
IS3				3.978	0.676
IS4				4.048	0.735
Valid N (listwise)/ Overall	547			3.737	0.824

Source: Researcher calculation using SPSS

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