INDIVIDUAL INVESTMENT BEHAVIOUR TOWARDS FINANCIAL MARKET

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Individual Investment Behaviour towards Financial Market"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

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ABBREVIATIONS

FI	Firms Image
IFM	Information
NRB	Nepal Rastra Bank
PF	Psychological Factors
RP	Regulatory Policies
SI	Social Interaction
TU	Tribhuvan University

ABSTRACT

This study aimed to examine the impact of **Individual Investment Behaviour towards Financial Market.** The main purpose of the study is to examine the factors influencing individual investors' investment decision making behavior. The research also tends to test the hypothesis related to relationship between behavioral factors and investment decisions. The study was conducted through the primary survey. The sample size for the study includes 400 respondents. The data was collected through the structured questionnaire from the various individual investors and different journals and internet. The research follows the descriptive research design and causal comparative research design. The correlation coefficient and multiple regression model was used to explain the relationship and test the significance between psychological factors, social interaction, information, regulatory policies , firms image and investment decision.

The finding from the study indicates that the independent variables like regulator polices and social interaction has positive significant relationship while accounting information has negative relationship with dependent variables that is investment decision making behavior of individual in stock market. There is significant effect between the social interaction, regulator policies and investment decision making behavior of individual in stock market. There is no significant effect between psychological factors, information, front image and investment decision making behavior of individual in stock market. Investors are influenced to social interaction and regulatory policies. So SEBON should make good rules and regulation so that they increase the confident of investors in stock market, which benefits the stock market as investment increases in confidence level.

Key words: Psychological factors, social interaction, Information's, Regulatory policies and Firms image.

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The primary purpose of the capital market is capital formation. It distributes money from those who are wealthy to others who require it in order to invest in material goods (Thapa, 2009). financing markets facilitate economic growth by facilitating the long-term financing required for productive industries. The primary goal of the capital market is to provide as many opportunities as possible for people to profit from return money. (Ojha (2000)). The people was drawn to the stock market, according to Chote Lal Rauniyar, Ip-President of the Nepal Investors' Forum, because of the drop in income resources brought on by the lockdown and bank interest rate reductions. The number of applicants for the IPO issues has significantly grown due to the squeeze in revenue opportunities. 5,150,939 Demat accounts have been opened overall, according to statistics from the Central Depository System (CDSC) (CDSC, April 27, 2022). According to Suresh Neupane, Head of CDSC's network and system section, the number of Demat account holders has also grown as a result of IPO openings. Many businesses, such as Upakar Lagubitta, Balephi Hydropower, Green Venture Ltd., NESDO, Nyadi Hydro, Sahas Urja Ltd., and others, recently launched their initial public offerings (IPOs) back-to-back. For a while, the system was overwhelmed by the volume of responses to these public offerings. It demonstrates the enormous potential that the main stock market offers to both established and start-up businesses.

The concept that an efficient market could be possible at the micro level but not at the macro level many years ago began to take shape, as further described by Shiller (2003). It suggests that a stock's price fluctuation is more important than the stock market as a whole. In addition to the information provided in the market, the feedback model suggests that investors tend to base their trade-based behavior more on the trade-based behavior of other investors than on their own.

Fares and Khamis (2011) used the multiple regression approach to look at the stock trading habits of individual investors at the Amman Stock Exchange in Jordan. They

determined that traders' judgments were impacted by four behavioral factors: age, education, internet accessibility, and broker-investor contact. The authors found that while an investor's age, education, and internet connectivity had a strong beneficial impact on stock trading, their relationship with their broker had a highly significant negative impact.

Sahni (2012) studied how most investors rely on rudimentary business research to make investment decisions and anticipate perfect returns on their investments. It was shown that investors' risk-averse mentality motivates them to trade by initially gaining shares as opposed to shares that result in losses. The stock market's historical performance has a big impact on investors' opinions.

Chaudhary (2013) looked at the significance and meaning of behavioral finance as well as how it applies to financial choices. In order to help stock and bond investors overcome their psychological obstacles, the author also covered a few trading strategies. Behavioral biases are incorrect and perhaps harmful actions brought on by poor decisions. Our understanding of actual market practices and investor behavior is improved by behavioral finance. As a result, it may assist investors in making wiser choices inside the intricate and multifaceted financial markets. The discrepancy between the projected and actual returns on an investment can be attributed to a number of irrational actions made by participants in the market.

According to Fares and Khamis (2011), an investor's age, education, and internet connectivity all had a major beneficial impact on stock trading, while their interactions with their brokers had a very significant negative impact. The two most crucial factors in making a logical investing decision are risk and reward. The goal of any sane investor is to maximize profit while minimizing risk. The investor has to comprehend risk and return measures in order to achieve this. When making an investment in the securities market, there are a lot of things to take into account. Several factors include the stock's book value, the risk-return trade-off, the company's outlook, governmental laws and regulations, as well as the policies of Nepal Rasta Bank and SEBON. Nepalese investors are increasingly becoming more aware of risk and return analysis. Investors are free to select any securities, both short-term and long-term, and they may behave differently with regard to those securities. Similarly,

the return or reward can come in a variety of ways, such as regular cash inflows for bonds and debentures and cash dividends or stock dividends in the case of stocks.

The difference between purchase price and par value is the return. Due to inadequate governance and insufficient information provided in a timely manner, investors rely on a select group of specialists to analyze stock prices. In addition, stock trading by private investors is based on whim and rumors. In order to better understand investors' individual investment behavior toward securities, this research will be carried out. It will also attempt to assess investors' psychological, social, informational, regulatory policy, and firm image awareness as well as ways to become more effectively aware of the Nepalese securities market, the factors they take into consideration when making investments, and the securities they prefer to invest in.

1.2 Problem Statement

The growth of the stock market has a favorable impact on the development of the economy, and vice versa, because of the positive connection that exists between the two. As a result, stock market investor actions have a significant impact on defining market trends, which in turn have an impact on the economy. Investigating the behavioral elements impacting the choices made by individual investors on the Nepalese stock market is crucial to comprehending and providing a meaningful explanation for the investors' actions. Individual differences exist in their attitudes about stock market investing based on a variety of factors, including risk tolerance, suggestions, information, experience, requirements, and goals (Regmi, 2018).

The decision of investors to make investments is greatly influenced by demographic parameters, such as age, gender, marital status, income level, occupation, and credentials. The most recent research in empirical finance is examined in light of the fundamental behavioral theories, which are mostly drawn from sociology, psychology, and anthropology (Khanam, 2017). Prospect theory, regret, cognitive dissonance, anchoring, mental compartments, overconfidence, overreaction and underreaction, representativeness heuristic, the disjunction effect, gambling behavior and conjecture, historical perception as irrelevant, magical and quasi-magical thinking, attention anomalies, the availability heuristic, culture and social contagion, and global culture are among the behavioral principles. In 2009, Kaleem, Wajid, and Hussain conducted a study on the variables influencing financial advisers' perceptions of portfolio management in Pakistan. Their findings indicated that an investor's

investing style is significantly influenced by their age, income, language, and educational orientation.

The study was carried out in 2003 by Merilkas and Prasad to examine the variables affecting Greek investor behavior on the Athens Stock Exchange. The findings show that people base their decisions to buy stocks on a variety of factors, including economic considerations in addition to other factors. Instead than depending on a single integrated strategy, they take into account a wide range of aspects. In particular, the research aims to determine the factors that individual investors consider when making investment decisions and whether they are aware of the best investment practices that are adhered to in traditional standard finance. The purpose of the study was also to ascertain the outcomes of the participants' investing choices.

The primary emphasis of the study was on the variables affecting the stock market decision-making behavior of individual investors. The following problems were addressed in the study:

- How do investors behave on an individual basis with regard to securities?
- Does the choice to invest depend on any correlation with psychological aspects, social contact, information, regulatory regulations, and a company's image?
- What effects do knowledge, social contact, psychological aspects, legal requirements, and a company's reputation have on investment decisions?

1.3 Objectives of the Study

Examining the variables affecting individual investors' investment decision-making behavior is the study's primary goal.

The specific objectives of the study are:

- To assess the individual behavior of investor towards securities.
- To analyze the impact of psychological factors, social interaction, information, regulatory policies and firms image on investment decision.
- To examine the relationship between psychological factors, social interaction, information, regulatory policies and firms' image with investment decision.

1.4 Hypothesis

According to these research, the following null hypothesis should be investigated:

Hypothesis H01:

Individual stock market decision-making behavior is not significantly impacted by psychological considerations.

Hypothesis H02:

Social contact, a company's reputation, and an individual investor's decision-making behavior have no discernible effects on the stock market.

Hypothesis H03:

Information has no discernible impact on an individual's stock market investing decision-making behavior.

Hypothesis H04:

Individual investors' decision-making behavior in the stock market is not significantly impacted by regulatory measures.

1.5 Rationale of the Study

Any well designed and carried out study may benefit different people, organizations, and stakeholders directly or indirectly. An overview of the elements influencing individual investors' decision-making behavior while making securities investments is provided by the research.

The goal of the study is to investigate how many factors, including psychological factors, social interactions, information, regulatory policies, and firm image, influence how individual investors make decisions in the stock market. Through the perception-building elements, it delves further into the general behavioral aspects that influence investors' decision-making while making investments. This report primarily helps investors with the assistance of regulatory bodies to create sound plans and policies to support the stock market, bring stability to NEPSE, and run the stock market efficiently by disseminating the necessary information to all investors at once and reaching a sizable investor base. This is because the research has demonstrated the significant influence that rules and regulations have on investment decision making.

It mostly benefits investors—individuals and institutions, the bank of shareholders, and the businesses. The study's conclusions can be utilized by interested parties to identify the variables impacting investment choices and to help them make wise judgments. Additionally, novice investors may learn about the elements that need to be taken into account and examined before making a stock market investment. Thus, by making the appropriate investment choice, a novice investor may reduce the risk involved in the venture and optimize the return on investment.

Lastly, by highlighting the key variables that impact individual investors' investment decisions and, consequently, their financial planning, this study is beneficial to them. Institutional investors may also find it helpful in developing their goals, strategies, and rules related to investments.

1.6 Limitations of the Study

The following are the limitations of this study

- Participants' activities fluctuate according on the state of the market, which may have an impact on information collection.
- The investigation has concentrated on investors' perceptions, knowledge, and actions about various financial instruments as well as their choices for investments. (This study makes use of belief, value, attitude, perception, and a few other psychological aspects.)
- Individual investors in the Kathmandu Valley participated in the study, which used convenience sampling. Consequently, it is not applicable to every stock market participant.

CHAPTER II

LITERATURE REVIEW

The review of papers on related subjects is the focus of this chapter. This chapter includes a conceptual framework, a list of terms connected to investors, and excerpts from a variety of books, journals, articles, reports, and theses.

2.1 Theoretical review

In essence, financial markets are similar to other types of markets. In this market, people buy, sell, negotiate, haggle, and win or lose. Securities, stocks, and bonds—which are less physical than hot bracelets or cold gold bars, but not any less valuable—are bought and sold in financial markets (Ritter & Sibler, 2007). Financial markets may be roughly classified into two categories based on functionality. According to Gupta (2008), the former are short-term fund markets, whereas the later are long-term fund markets. One of the key elements of capital markets is the stock market. A crucial component of all financial markets is the capital market. It serves as the market palace for long-term capital raising.

This study employs a decomposed approach to the theory of planned behavior to examine the degree to which each factor influences an individual's behavioral intention, as well as the theory of planned behavior as a conception lens to examine the impact of factors influencing individuals' behavioral intentions regarding investments in the Nepalese stock market. The choices made by stock market investors have a significant impact on defining market trends, which in turn have an impact on the economy. Individual differences exist in their attitudes about stock market investing based on a variety of factors, including risk tolerance, suggestions, information, experience, requirements, and goals. The decision of investors to make investments is greatly influenced by demographic parameters, such as age, gender, marital status, income level, occupation, and credentials. The most recent research in empirical finance is examined in light of the fundamental behavioral theories, which are mostly drawn from anthropology, psychology, and sociology (Shiller, 2003).

Behavioral finance theory

In order to understand how to process information and make decisions, behavioral finance incorporates psychology, sociology, and other research methodologies into the study of investing behavior. It is a contemporary field of research in finance that attempts to explain why individuals make illogical financial decisions by fusing traditional economic and financial theory with behavioral and cognitive psychology theory (Kumar, 2017). According to behavior finance theory, there may be instances in which markets do not accurately represent economic fundamentals due to irrational conduct and restrictions on financial market arbitrage. while investors fail to properly consider all the facts at hand while establishing their expectations on the future of a firm, they act irrationally. Persistent price variations do happen when a sizable number of investors exhibit similar behavioral tendencies (irrational systematic behavior).

Efficient markets Hypothesis (EMH)

One of the primary arguments for why some investors would select a passive investing approach is the efficient market theory. It contributes to the justification for the purchase of these exchange-traded funds and passive mutual funds. In essence, MH asserts that every piece of information that is currently available about investment assets, like stocks, has already been taken into account. It is not necessary for the investors to have common sense. A long-term buy-and-hold approach works well for most investors. The price of stocks fluctuates erratically in capital markets, making them mostly unpredictable.

The Capital Asset Pricing Model (CAPM)

There will always be some risk associated with your investments, regardless of how diversified they are. Investors so naturally look for a rate of return. Investment risk and the expected return on investment are determined using the capital asset pricing model Mcclure (2022). There are two kinds of risk present in individual markets: unsystematic risk and systematic risk. To gauge this systemic risk, CAPM was developed. Either a single stock or a portfolio of stocks should yield a return equal to its cost of capital. This approach offers a straightforward theory with straightforward

outcomes. According to the hypothesis, a stock's higher risk is the sole reason an investor should, on average, make more money from it than from another.

Portfolio Theory

An investing theory known as "portfolio theory" enables investors to put together a portfolio of assets that optimizes projected return or a specific amount of risk. According to the hypothesis, investors would always favor the less risky portfolio for a given amount of projected return because they are risk averse. A larger degree of risk must be covered by more compensation for the investor.

Rational choice theory

According to the rational choice theory, people employ reasoned calculation to make reasoned decisions and arrive at decisions that are consistent with their own goals. These outcomes are also linked to maximizing one's own interests. With the few options open to them, using rational choice theory is anticipated to provide results that offer them the most benefit and satisfaction. One of the first economists to formulate the fundamental idea of rational choice theory was Adam Smith. An increasingly modern approach to the challenge of elucidating how people and organizations make economic decisions is behavior economics.

Invisible Hand theory

The concept of the invisible hand refers to the invisible forces at work in the free market economy. The best interests of society are served by the freedom of production and consumption as well as individual self-interest. Prices and trade flow naturally result from the ongoing interaction of individual pressures on market supply and demand. This is a component of laissez-faire, or the market's "let do/let go" philosophy. Put another way, the theory maintains that the market will reach equilibrium on its own, free from outside interference or government pressure to follow abnormal trends. The idea was first presented by Adam Smith in a number of his works, including the economic interpretation. The invisible hand metaphor used by Smith (1776, 1759) condenses two important concepts. First, there are unintended and broad advantages to voluntary exchanges in a free market. Secondly, their advantages surpass those of a planned, regulated economy. When profit and losses

fairly represent what investors and customers desire, business efficiency and profitability are enhanced. According to Benanker (2007), the market-based approach involves regulation by the invisible hand, with the goal of bringing market players' incentives into line with the regulator's goals.

Regret Theory

According to the regret hypothesis, people prepare for regret when they make a poor decision and take it into account while making decisions Chen (2021). An important factor in either encouraging or discouraging someone to act is fear of regret. The regret hypothesis has the potential to affect an investor's capacity to behave rationally and make decisions about their investments that will help them rather than hurt them. When it comes to investment, regret theory has the power to encourage high risk-taking or make an investor risk-averse. Regardless of the financial fundamentals, the investor might inquire about and investigate any stock that their buddy recommended in order to prevent regret later on.

2.2 Conceptual review

2.2.1 Financial market

The location or methods through which financial instruments are exchanged are referred to as the financial market. Financial instruments also signify written documentation, demonstrating the transfer of instruments between relevant parties. The financial market is where businesses and private individuals make agreements to buy or sell particular goods, such stocks or bonds, on future contracts. This market offers a venue for buyers and sellers to convene and negotiate prices.

The money market and the capital market are the two main financial markets. Transactions in short-term debt instruments, or marketable securities (bonds and stocks), are traded in the capital market. Financial markets provide a forum in which suppliers of funds and demanders of loans and investments can transact business directly. In contrast, loans and investments made by institutions are made without the direct knowledge of suppliers of funds (savers).

2.2.2 Behavioral finance

After a thorough investigation, Kahneman and Tversky (1979) were acknowledged as the pioneers of behavioral finance. In a study they presented on the critique of anticipated utility theory, they experimentally discovered that individuals tend to undervalue outcomes that are just marginally likely compared to those that can be achieved with certainty. Prospect theory has been thrown out, substituting choice weights for probability and assigning value to gains and losses instead of eventual assets. They first proposed the idea of framing in 1981. Psychological principles that control how choice issues are seen have been given. These principles assess the likelihood of various outcomes and the predictable shift in preference that results from framing the same problem in different ways.

2.2.3 Investment Behavior

Fares and Khamis (2011) used the multiple regression approach to look at the stock trading habits of individual investors at the Amman Stock Exchange in Jordan. They determined that traders' judgments were impacted by four behavioral factors: age, education, internet accessibility, and broker-investor contact. The authors found that while an investor's age, education, and internet connectivity had a strong beneficial impact on stock trading, their relationship with their broker had a highly significant negative impact.

2.3 Empirical Review

This component of the study examines academic writings by professionals with experience in behavioral finance. These reviews will serve as the basis for the theoretical underpinning for this.

Nayak (2010) examined the types of concerns raised by investors and assessed the function of grievance redressal organizations. In the Valsad district of Gujarat State, he gathers primary data on the investor's demographic profile, knowledge of various grievances, awareness of the roles of various grievance redressal agencies, loading of complaints, and their degree of satisfaction using a convenient random sampling technique. He demonstrates, by chi square analysis, that there are notable differences between the different demographic factors and investor knowledge of complaints,

awareness of redressal agency functions, complaint loading, and investor satisfaction level.

Dash (2010) conducted research on the variables impacting Indian generations' investing decisions. The purpose of this study was to learn more about the major variables that affected investing behavior and how these variables affected the risk tolerance and decision-making processes of investors across various age groups and genders. Despite living next door and being equal in every other way, the people's demands for financial planning could not have been more dissimilar. Investor synergism may be achieved by utilizing a variety of age groups in addition to gender. These days, segmenting individual investors based just on their demographics is insufficient. In light of this, this study aimed to identify Factors 12 that influenced individual investment decisions as well as disparities in investors' perceptions of the choice to invest depending on gender and age. The study came to the conclusion that an investor's ability to take on risk is mostly determined by their age and gender.

According to Kabra et al. (2010), who looked into the elements influencing investing behavior, age and gender are the primary determinants of an investor's ability to take on risk. They also found that modern investors are well-educated and mature individuals. Even with the securities market's extraordinary expansion and the high caliber of IPOs available, individual investors still favor investments based on their tolerance for risk. For instance. People who are risk adverse opt for PPF, NSC, fixed deposits with banks and the post office, and life insurance plans. There are very few instances of blind investments because the majority of investors are found to base their selections on a few source and reference groups. Even if they are falling victim to many cognitive illusions, such limited framing and overconfidence, they take into account a variety of elements and look for varied information before making an investment.

Using a sample size of 199 people in Malaysia, Chong and Lai (2011) investigated the variables impacting the equity selection process and how these variables connect to return. The study's conclusions demonstrated that Malaysian consumers gave great weight to "neutral information," which is composed mostly of "firm status in industry," "recent price movements," and "past performance of firm's stock." "Accounting information," "social relevance," and "advocate recommendations" are

additional crucial fundamental components. Furthermore, their study revealed a substantial variation in the social relevant factor across the respondents' age groups.
Varadharajan and Vikkraman (2011) concentrated on determining how investors felt about their choices when making investments in the equities market. They examine the attitudes of 50 investors in Coimbatore regarding stock selection, business, risk, equity portfolio, financial affairs, and projected return using ANOVA. They discover that the demographics, most of the determinants, and the results achieved are independent of one another.

Aduda, et al. (2012) looked at the emotional and cognitive aspects that influence how people, groups, and organizations make decisions. Overconfidence, cognitive dissonance, regret theory, prospect theory, and other fundamental behavioral finance concepts are clarified by research conducted at the Nairobi Stock Exchange in Kenya. The goal of the study is to pinpoint these kinds of actions that individual investors do when they decide which investments to make. Overconfidence, cognitive dissonance, regret theory, and prospect theory were all applied in this study. In particular, the research aims to determine the factors that individual investors consider when making investment decisions and whether they are aware of the best investment practices that are adhered to in traditional standard finance.

In order to determine how the Nepalese stock market's investors would respond to both physical and intangible information, Kadariya (2012) carried out research. Only 27% of the respondents to the original data, which consisted of 20 questions, were gathered and deemed reasonable after the data was circulated by (online) email to various locations around the Kathmandu valley in order to achieve this goal. In addition to descriptive statistics and correlation analysis, factor analysis has been used for the data analysis. The study discovered that the majority of investors are influenced by friends, the media, market noise, casual conversations, and market sounds rather than applying their own set of skills and analytical ability while making investment decisions. In addition, there are five primary aspects that impact investing decisions: the physical elements, which include dividends, earnings, the quantity of stocks, and the book-to-market ratio, and the intangible elements, which include political party-led government.

The impact of many elements on the decision-making process of individual equities investors was examined by Ali and Tariq (2013). This study looked at how behavioral and economic factors affected Pakistani individual equities investors' investing decisions. Classical wealth maximization, accounting data, a coincident self-image and firm-image, impartial data, advocate recommendations, and individual financial demands were among the contributing elements. The study discovered that, in the context of Pakistan, factors like classical wealth maximization, accounting information, and personal financial needs had no influence on the decision-making of individual equity investors. In contrast, the study found that self-image/firm-image coincidence, neutral information, and advocate recommendation had a strong influence on individual equity investor decision-making.

In order to determine the factors influencing Pakistani individual investors' behavior, Bashir (2013) conducted research there. Thirty-four items from five categories of independent variables—self-image/firm image, neutral information, accounting information, personal financial needs, and advocate recommendations—were taken into consideration. The outcome demonstrated that all of the variables under consideration had some effect on investors' decision-making behavior, with the accounting information category having the greatest influence and advocate endorsement having the least. The frequency table of significantly influencing variables reveals that, of the 33 total items, the six most influential ones are related to accounting information and the self-image/firm's image. These items include dividend payments, the firm's reputation, feelings toward the products and services of the firm, getting rich quick, the firm's involvement in solving community problems, and the firm's status in the industry. In terms of significance, it was also discovered that recommendations from friends or coworkers, the majority shareholder of the company's opinions, recent changes in the stock price, religious beliefs, family member opinions, and broker recommendations pertaining to other variable categories were the least influential factors.

Thapa (2013) discovered that investors are driven by short-term profit rather than any particular market type. The findings suggest that investors' confidence levels decline as investment sizes grow. Additionally, it is shown that the magnitude of the

investment has a statistically significant positive influence on the degree of engagement and a negative effect on investors' optimism.

An analysis of the several elements impacting investor mood in the Indian stock market was conducted by Sandhog, Kailas, and Anil (2014). For the study, they make use of both primary and secondary data. For the study, they gather primary data from 60 staff members (teaching and non-teaching) at NSS College, Nemmara, who are chosen using a convenience sample technique and a multi-stage sampling approach, as well as secondary data from books, journals, magazines, different websites, and government publications. With the use of SPSS, they calculate the percentage, mean, standard deviation, Cronbach alpha, and ANOVA to determine the significance of the association between the investors' gender and variables such as herd behavior, risk factors, confidence, and performance factors.

According to Jagging and Mutswenje's (2014) research on the Nairobi Stock Exchange, the firm's reputation, its standing in the industry, expected corporate earnings, profit and condition of statement, past performance of the firm's stock, price per share, investor expectations for dividends, and sentiments regarding the economy are the most significant factors that impact individual investment decisions. Of the 50 investors who made up the sample size, 42 investors were the subjects of the study. The respondents were individually given a structured questionnaire by the researcher in order to gather data. The individual investor was among the responders. Frequencies, mean scores, standard deviations, percentages, Friedman's test, and factor analysis approaches were used to evaluate the data in this study. The results of this study will help investors comprehend the different choices they must make depending on the conditions at hand, the potential consequences of each choice, and which elements have the most influence over investors' actions.

A research on the behavioral factors influencing individual investors' decisions to invest in the Nairobi Securities Exchange was carried out by Kimeu et al. (2016). Either contemporary or traditional finance has an impact on investment decision making. To ascertain if an investment is overpriced, appropriately valued, or undervalued in classical finance, an investor must ascertain the inherent value of the security. Some investors may not be familiar with mathematical formulas because of

the legacy of traditional finance. Behavioral finance is a branch of current finance theory that uses psychological understanding to assess the options available to investors while making investments. The goal of the study was to investigate the behavioral elements that affect a person's choice to invest in the Nairobi Securities Exchange. The study aimed to investigate the correlation between investment choice, rationality, herding factors, heuristic factors, and prospect factors. Prospect, herding, heuristic, and Expected Utility theories of behavioral finance served as the foundation for this study.

Adhikari and Phuyal (2016) conducted an analysis of political turmoil and stock market movements in Nepal. Researchers conduct a triple study on how politics affect the Nepali share market in an effort to close this research gap. In order to determine the likely causes of the stock market's volatility, researchers first interview brokers and investors. The majority of brokers and investors believe that political upheaval is the primary factor influencing stock market volatility. Secondly, we do multivariate analysis on a quarterly dataset spanning a decade to see if a collection of economic factors may account for stock index disruptions. The findings indicate that this relationship could not be explained by a linear model, indicating that the model is missing certain components in addition to the economic ones. One possible explanation for this may be a correctly defined variable that reflects political instability.

In their 2016 study, Akbar et al. concentrated on finding the variables influencing investors' decision-making process while making purchases on the Islamabad Stock Exchange. 253 individual investors in the Islamabad stock exchange provided primary data for the study using a customized questionnaire. The study's conclusions showed a strong positive correlation between advocate suggestions, impartial information, coincidences between one's own and the firm's image, and the investment decisions made by individual investors. The link between accounting data, traditional wealth maximization, and individual financial demands was not found to exist in the study. It may be said that the majority of Pakistani investors do not make logical judgments based on accounting data; instead, they frequently rely on the advice of stockbrokers, colleagues, friends, and relatives. It is recommended that higher authorizers pay more

attention to this matter since investors who rely on other advice while making investment selections run the risk of stock markets being easily manipulated.

Khanam (2017) investigated the relationship between the amount of money invested in the stock market and demographic traits of typical investors, such as age, income, experience, employment, and education level. A structured questionnaire was used to collect data on the average annual investment amount from a sample of 300 general investors chosen from the Dhaka Stock Exchange. The frequency table was utilized to show the number of investors that made this specific investment. A two-way ANOVA test was used to see if there was any interaction between two demographic factors and the investors' annual average investment amount. The average amount invested in various share kinds varies depending on certain demographic variables, according to the results. This research investigates, for the first time, the relationship between general investors' investment quantity and their demographic features. The study found that the average annual investment amount of general investors is positively impacted by the interplay of several demographic characteristics.

The goal of Shah and Ahmad's (2018) study was to elucidate the process by which heuristics affect the perceived efficiency of the market as well as the investment decisions made by individual investors who trade on the Pakistan Stock Exchange (PSX). The majority of research has concentrated on highly established financial markets, and little is known about the actions of investors in developing or less developed markets. The study offers empirical understanding of the connection between investment choices, perceived market efficiency, and heuristic biases. The findings imply that heuristic biases (representativeness, availability, anchoring, and overconfidence) significantly deteriorate both the perceived efficiency of the market and the investment decisions made by individual investors who actively trade on the PSX. The small sample size is the main drawback of the empirical review. A larger sample size might have enabled a more comprehensive scope of research and produced more reliable results.

Sarkarand Sahu (2018) discovered that individual investors' behavior in the stock markets is shaped by a combination of conflicting demographic characteristics, personal knowledge, and perceived risk tolerance. They examine whether behavior

finance theories are applicable to comprehending investor behavior in industrialized, emerging, and underdeveloped nations as well as in various stock markets. The results of this study will help shape more individually-focused financial policy by shedding light on the psychological underpinnings of human behavior in the financial markets.
2019 saw the conclusion of a research by Shrestha and Pokhrel on how finance affects the stock index in Nepal. Using monthly NEPSE data, the research conducted an empirical analysis of the factors influencing the Nepalese stock market index. It was also determined how leading against share collateral and paid-up capital would be affected by a significant shift in political and Rasta Bank policies. The behavioral equation's OLS estimate yielded empirical data showing that the Nepal stock index responds adversely to interest rates and positively to growth in broad money.

Raheja and Dhiman (2020) discovered a positive correlation between the financial experts' passionate insight and their venture selections, as well as a positive correlation between the financial specialists' conduct inclination and the speculators' venture choices. One thousand five hundred financial professionals provided the information. The financial professional who participates through LSC Securities Ltd. was one of the research areas. in the state of Punjab. For this examination, the purposive testing approach was employed. However, the authors discovered that eager insight predicts financial speculators' venture decisions more accurately. Among the various aspects of behavior, the financial specialist's venture decisions are linked to the speculators' tendencies toward regret and negligence. Motivation, empathy, and social skills are among the many evaluations that are linked to the financial professionals' hypothesis selections.

Raut (2020) investigated the applicability of the theory of planned behavior in this setting and sought to understand the role that prior behavior and financial literacy have in individual investors' investment decision-making. Self-administered questions were employed in the study, and convenience sampling and snowball sampling were utilized to gather information from individual investors throughout the four different states of India. Structure equation modeling (SEM) in two steps was used to evaluate the collected data on AMOS 20.0. The findings showed a strong direct influence on investors' intentions. It was shown that social pressure had the most impact on Indian investors, a factor that financial knowledge might help to mitigate.

Prospective behavior characteristics that had a negative connection with investing performance were investigated by Silwal (2021). It was discovered that there was a positive association between investment success and herding, market characteristics, and heuristics (such as anchoring bias and overconfidence). The aim of this research is to determine the behavioral elements that impact the decisions made by individual investors and to examine the connection between these factors and the performance of investment decisions. Factor analysis, both exploratory and confirmatory, was used in the study. Furthermore, the application of structural equation modeling is utilized to evaluate the hypothesis.

The investors assessed by Quaicoe and Eleke-Aboagye (2021) exhibited a variety of behavioral biases. Herding was shown to be the most prevalent element or bias impacting respondents' investing decisions, accounting for roughly 62% of the weight. Once more, it was discovered that biases such anchoring, mental accounting, overconfidence, and gambler's fallacy, together with regret aversion, greatly influenced investment decisions. A total of 350 investors who owned equities of listed banks on the Ghana Stock Exchange (GSE) were surveyed for the study using a questionnaire. The basic premise that investors are rational decision makers and would always make sensible decisions given the correct information is widely accepted in the finance literature. This suggests that the stock market is efficient. These presumptions have been shown to be, at the very least, insufficient in light of the reality that investors are emotional, complicated psychological entities.

The moderating influence of financial literacy in the determining of investor behaviors in the Pakistan stock market was investigated by Sabir et al. (2021). The study clarified the process that mediates the relationship between stock investment behavior and sentiments. The study tested the idea using a quantitative approach. A survey technique and self-administrative questionnaire were used to get the data. Through convenience sampling, information from 250 stock investors was gathered. The study employed the clever PLS version 2.0 for analysis and the partial least square structural equation modeling approach (PLE-SEM) to evaluate the model hypothesis. The study discovered that while religion has no effect on investing behavior, it does alter investment intention due to social influence. The study also discovered that financial literacy considerably impacted the association between an

individual investor's intention to invest and their actual stock market investment behavior.

The impact of heuristic biases on individual investing decisions on the Pakistan Stock Exchange (PSX) was studied by Khan, et al. in 2021. The findings showed that representativeness and availability biases significantly and favorably affect investors' decisions about which investments to make. Moreover, there is a noteworthy albeit mild impact of long-term orientation on the investment effect of representation bias. A total of 374 responses from individual investors trading in PSX were gathered through the use of a structured questionnaire. The partial least square structural equation was used to test the connection.

In order to examine the mediating effect of individual characteristics in the association between previous behavior and financial literacy with the desire to participate in the stock market, Panahi et al. (2022) looked into this relationship. A questionnaire was used in the field approach to collect data for this investigation. In order to verify its validity, the questionnaire was sent to various individuals, including professors, academic researchers, managers, and senior experts, whose feedback corroborated the surveys' validity. The questionnaire's reliability coefficient has 26 items, based on the initial distribution of 30 surveys. The outcome shown that the desire to invest in the stock market is positively and significantly influenced by attitude, mental norms, perceived behavioral control, and prior behavior. Additionally, perceived behavioral control is positively and significantly impacted by prior conduct as well as financial knowledge. The desire to invest in the stock market is positively and significantly influenced by past financial and behavioral patterns, and the intention is also positively and significantly influenced by financial knowledge and perceived behavioral control.

According to Hossain and Siddique's (2022) findings, risk perception and risk aversion are the two most important emotional factors influencing an investor's choice. By using the chi-square test, one way ANOVA, paired sample t-test, and descriptive analysis on data gathered from 281 Dhaka Stock Exchange respondents, the study discovered that Bangladeshi individual investors frequently make investing decisions based more on feelings than on ideas. The results were based on a limited

subset of DSE investors on certain days, which was insufficient to examine each investor's whole complicated decision-making behavior from a variety of perspectives. Reluctant and even perplexed regarding their behavioral elements were several of the responses.

2.4 Review of previous thesis

Over the previous year, several researchers have prepared master's theses. Among these, a few are examined here for literature analysis.

According to research by Thapa (2009), the Nepalese capital market is undergoing a crucial phase of change. Every year, more and more businesses are obtaining funding from the main market. In a similar vein, there has been a notable increase in the market capitalization, quantity of securities, number of listed firms, and yearly turnover of secondary markets. The market is growing every year. The security markets are drawing an increasing number of market participants. The majority of investors favor stocks that have the potential to increase in value quickly. The range and quantity of investment options available to individual investors are quite constrained. Investors in their middle years control the securities market. It was discovered that the majority of investors held bachelor's degrees or more and that they were professionals—that is, individuals who worked for a living as opposed to being independent contractors. Investors demand a lot from their security investments. Security brokerage businesses assist them by offering advisory services related to their investment selection. The investor wants to realize a quick monetary gain, and common stock is one of their top investing options. Nepalese investors take on greater risk when they purchase common stock because they hope to increase their short-term profits. Investors see investing in securities favorably and see it as a successful endeavor. They are quite upbeat and disclose that one must be willing to take sustained risks in order to generate money.

According to Dawadi's (2010) analysis, the commercial banking sector exhibits greater volatility than the NEPSE index when comparing the variance between the commercial bank index and the latter. It implies that the Nepalese stock market's commercial banking industry is extremely vulnerable. The capital market's overall performance changed as a result of changes in the price of commercial bank stock.

The pattern of price movement indicates that a major factor influencing the rise or fall in stock prices in the capital market is the external environment. The environment has a significant impact on the capital market. The calculation of average prices SD and CV has allowed for the observation of stock price volatility.

According to Thapa's (2018) research, investors' top choices are common stocks, followed by debentures, preferred stock, and government bonds. The ability to actively participate in firms' earnings is one of the key features that draws investors to these instruments. When it comes to investing in stocks, investors appear to be more concerned with an adequate return and low risk than with social standing. Broker Company prevents investors from learning about the current state of the market by refusing to give them the information they need. The security exchange center is being sued for failing to disclose to the public on its website the price of sensitive data and the financial statements from the previous year.

According to Dhakal's (2021) research, while businesses' perceptions differ from those of prior empirical studies, social interaction, information, and regulatory policies do. All of the independent variables—which were in line with earlier empirical research—had positive significance relationships with regulator policies and social contact and negative relationships with accounting information. However, empirical research indicates a favorable and substantial association between a firm's image. More about the risk and return analysis used by institutional investors when making stock purchases. The majority of respondents don't intentionally create a portfolio; either they don't know about it or they don't do it at all. The country's security market's overall operation is not as well known to investors. Both individual investors and institutional investors might find many chances in the markets.

2.5 Research Gap

The literature research has provided insight into the theory that psychological variables impact individual investors' behavior, which in turn impacts the market. In specifically, this study aims to pinpoint the major behavioral elements influencing people's investing choices. Many studies on behavioral finance and how it affects people's decision-making have been conducted abroad; however, there aren't many of

these studies conducted in Nepal. In Nepalese markets, behavioral finance is not a topic of conversation, despite the abundance of studies on mainstream finance.

Since this study was centered on individual investors, the behavior of large investors—such as corporations, trading houses, and business buyers—was not examined, despite the fact that these bulk buyers have a significant impact on the majority of the stock market. Furthermore, the study is limited to individual investors in the Kathmandu Valley due to resource constraints associated with the survey. For more genuine results, research might be conducted at the national level. Along with psychology, risk tolerance characteristics would initially be the main influencing elements. Regulatory regulations and social interaction, however, appear to be the main determinants of an investor's choice. Since behavioral finance is a relatively new discipline in the nation, many significant elements may have gone unnoticed, the hypothesis generated, and factors evaluated may be subjective.

CHAPTER III

RESEARCH METHODOLOGY

An description of the study's methodology is provided in this chapter. First, it will primarily address the study strategy and plans. Next, it will provide a quick overview of sample size determination, data collecting devices, sources, and methods. Lastly, specifics of data analysis tools and methodologies will be provided.

3.1 Research Design

To characterize the fundamental characteristics of the data in research, the study employs both analytical and descriptive research designs. For the purpose of learning about the characteristics of the investors, as well as the presentation and explanation of the data collected, the descriptive research design has been chosen for the study. Because descriptive research design addresses the correlations that exist between non-manipulated variables, it is considered a non-experimental methodology that can be applied. SPSS is used to show and evaluate the gathered data. Numerous factual questions on investing, attitudes and intentions, investor profiles, and preferred investment channels have all been covered in the survey. The study employed a quantitative methodology, utilizing a questionnaire to gather data on the decision-making habits of individual investors.

3.2 Population and sampling Design

The plan for gathering and disseminating data for study is known as sampling design. The population for the study includes all individual investors in Nepal who operate in various industries, as the study focuses on the behavioral aspects influencing individual investors' decisions. Because the population census is not ideal for this kind of research, a sample of the population has been chosen instead. There are 400 responders in the study's sample. The respondents come from a variety of backgrounds, including those who work for the government, have private jobs, offer services, are retired, or are students. In order to obtain the necessary data from each individual investor, the sample strategy for the study was appropriately and meticulously selected. Since the population is thought to be, the study will use convenient sampling.

3.3 Nature and Sources of Data Collection

The primary survey was used to perform the study. The structured questionnaire was utilized to gather data from several individual investors, as well as from numerous magazines and online sources.

3.4 Method of analysis

Microsoft Excel and the Statistical Package for Social Science (SPSS) software program were used to analyze the data. The analytical and scientific program SPSS aids in data organization, the identification of important linkages, and the comparison and contrast of various responder types. To achieve the study's goal, regression analysis, correlation testing, descriptive statistics, and reliability analysis were used.

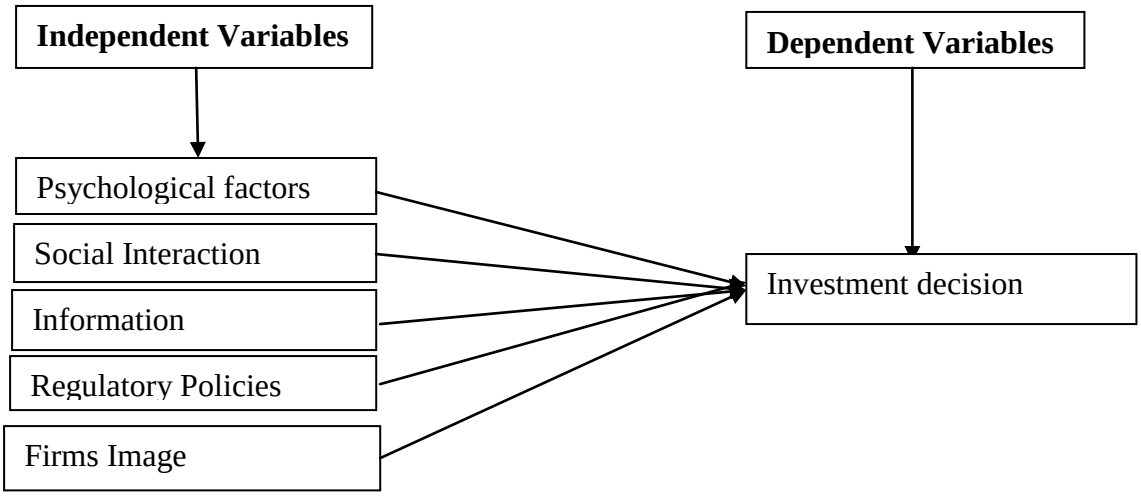
The survey will be conducted using the structured questionnaire that has been created. The questionnaire is a Likert scale with a single response option. Data analysis is done using statistical methods. With a significance threshold of 0.05, both qualitative and quantitative data analysis techniques are applied. For data analysis, the statistical tool listed below is used.

- For data on dependability, Cronbach's alpha
- Descriptive and frequency analysis.
- Multiple regression analysis and Pearson's coefficient of correlation are examples of inferential analysis.

3.5 Research Framework and Definition of Variables

Investments are the deferral of present expenses with the hope of earning more in the future. The profit serves as the investor's token of appreciation. In a similar vein, stock return serves as compensation for forgoing present advantages. Investment in the company's shares began when the shares were first issued to the general public. The secondary market selling of securities hastened this tendency in investing. Based on how the NEPSE price moves, this might either be a bullish or a negative trend. The theoretical framework offers a specific perspective from which to examine the work. It is the framework that a research study's hypothesis may be supported by. The theory that explains the existence of the research problem under study is introduced and described in the theoretical framework. Below is a presentation of the research

work's theoretical framework. It is created following research and a review of multiple relevant journals.



(Source: Bashir, 2013)

Figure 3.1: Research Framework

3.4.2 Defining Variables

The goal of research is to provide definite answers. We create and declare variables in order to respond to such fundamental queries. This study uses two different categories of variables:

Separate variables: Independent variables, often known as predictors, are ones that the researcher purposefully modifies to see how it affects other variables. Another name for it is controlled variables. The research's independent variables are the investor decision-making behavioral elements.

- Aspects of psychology: This element takes into account gut feelings, market noise, safety/security, long-term gain, short-term return, and prior attitude.
- Social Interaction: This component comprises recommendations from brokers, advice from stock analysts, advice from family friends, and advice from financial advisors.
- Information: The firm's financial statement, historical performance, predicted return, information published in newspapers, industry status, and recent price increases and decreases are all considered under this heading.

- Regulatory Policies: A number of regulating and oversight organizations are developing a range of initiatives and policies to perfect and develop the capital market, ensuring that investments are made wisely and that investors' funds are safeguarded.
- Firms Image: This area takes into account things like the firm's product, foreign investment, and public perception.

Variables under Dependency: Dependent variables are those that are measured when doing research. Individual investors' investment decisions, which include their choice of investment assets, investment cap, time horizon, frequency of investment, IPO preference, and stock market reinvestment preference, are the dependent variable in this case.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Results

Following the collection of data via questionnaires, the data was placed into a computer for management and analysis. Data analysis and interpretation have been accomplished through the use of SPSS and MS Excel. Using SPSS, many tables were created to obtain comprehensive data on the results.

4.1.1 Respondents Profile

The demographic analysis of the respondents, including gender, age, income, education, and occupation, is included in this section. The replies from the participants are arranged in accordance with the observed frequency of the question patterns. The frequency distribution of respondents, broken down by age, gender, income, education, and occupation, is displayed in this section. Similarly, in various conditions, this section similarly analyzes the most important element influencing share investment.

Table 1

Frequency of Respondents by Gender

Gender	Number	Percent
Male	280	70
Female	120	30
Total	400	100

Source: Field Survey, 2023

The frequency distribution of respondents by gender is displayed in Table 1. 30% of the 400 responders were women and 70% were men.

Table 2

Frequency of Respondents by Age Group

Age	Number	Percent
Below 20	9	2.25
20 to 30	126	31.5
30 to 40	123	30.75
40 to 50	96	24
50 to 60	38	9.5
60 and above	8	2
Total	400	100

Source: Field Survey, 2023

The age distribution of the respondents is displayed in Table 2; the respondents are split into six age groups: under 20, 20–30, 30–40, 40–50, 50–60, and 60 and above. 2.25% of the 400 respondents were under 20, 31.5% were between 20 and 30, 30.75% were between 30 and 40, 24% were between 40 and 50, 9.5% were between 50 and 60, and 2% were beyond 60.

Table 3

Frequency of Respondents by Educational Level

Education Qualification	Number	Percent
Below SLC	14	3.5
SLC	21	5.25
+2	66	16.5
Bachelor's degree	117	29.25
Master's degree	171	42.75
Above master's degree	11	2.75
Total	400	100

Source: Field Survey, 2023

According to Table 3, which breaks down the 400 respondents by educational background, 3.5% of respondents have less than an SLC, 5.25% have finished an SLC, 16.5% have done a +2, 29.25% have completed an undergraduate degree,

42.75% have completed a postgraduate degree, and 2.75% have achieved a master's degree or higher.

Table 4

Frequency of Respondents by Profession

Profession	Number	Percent
Government Service	87	21.75
Private sector	170	42.5
Business	95	23.75
Others	48	12
Total	400	100

Source: Field Survey, 2023

The frequency distribution of respondents by profession is seen in Table 4. Of the 400 respondents, 21.75% worked for the government, 42.5% for the commercial sector, 23.75% as entrepreneurs, and the remaining 12% for other purposes.

Table 5

Frequency of Respondents by Marital Status

Marital Status	No	Percent
Married	314	78.5
Unmarried	86	21.5
Total	400	100

Source: Field Survey, 2023

The frequency distribution of respondents by marital status is seen in Table 5. Of the 400 participants, 21.5% were single and 78.5% were married.

Table 6

Frequency of Respondents by Monthly income

Monthly Income	Number	Percent
Below 10000	10	2.5
10000 to 30000	129	32.25
30000 to 50000	205	51.25
More than 50000	56	14
Total	400	100

Source: Field Survey, 2023

The frequency of responders by monthly income is displayed in Table 6. Of the 400 respondents, 2.5% make less than $10,000 per month, 32.25% make between $10,000 and $30,000, 51.25% make between $30,000 and $50,000, and 14. % has a monthly income of above $50,000.

Table 7

Frequency of Respondents by Investment Experience

Period of Investment	Number	Percent
Recently	48	12
Last 2 year	103	25.75
Last 5 years	153	38.25
More than 5 years	96	24
Total	400	100

Source: Field Survey, 2023

The frequency distribution of respondents by investing experience is displayed in Table 7. Out of 400 participants, 12% were newbies, 25.75% had experience during the past two years, 38.25% had experience within the last five years, and 24% had experience beyond five years.

Table 8

Frequency of respondents by Purpose of Investment

Purpose of Investment	No. Respondent	Percent
Security	64	16
Capital Appreciation	92	23
Return	244	61
Total	400	100

Source: Field Survey, 2023

The frequency distribution of responders by investment goal is displayed in Table 8. Of the 400 respondents, 16% said they were investing for security, 23% said they were investing for capital appreciation, and 61% said they were investing for return.

Table 9

Frequency of Respondents by Amount of Investment

Investment (in Rs.)	Number	Percent
below 1 lakh	60	15
1 lakh to 5 lakh	147	36.75
5 lakhs to 10 lakhs	88	22
10 lakhs to 20 lakhs	53	13.25
20 lakhs to 50 lakhs	41	10.25
50 lakhs and above	11	2.75
Total	400	100

Source: Field Survey, 2023

The frequency distribution of responders by investment amount is displayed in Table 9. 15% of the 400 respondents had invested less than one lakh, 36.75% between one and five lakhs, 22% between five and ten lakhs, 13.25% between ten and twenty lakhs, 10.25% between twenty and fifty lakhs, and 2.75 percent more than fifty lakhs.

Table 10

Frequency of Respondents by types of investors

Types of risk taker	Number	Percent
Risk Avoider	155	38.75
Moderated risk taker	98	24.5
High risk taker	39	9.75
Risk neutral	108	27
Total	400	100

Source: Field Survey, 2023

The frequency distribution of 400 respondents by risk-taking categories is displayed in Table 10. Of them, 38.75% avoided risk, 24.5% took moderate risks, 9.75% took high risks, and 27% took no risks at all.

Table 11

Frequency of Respondents by source of investment

Source of Investment	Number	Percent
Saving	244	61
Borrowing	156	39
Total	400	100

Source: Field Survey, 2023

The frequency distribution of 400 respondents by investment source is displayed in Table 11. Of these, 61% saved money, while 39% borrowed money to make investments.

Table 12

Frequency of Respondents by checking period of the share price

Checking period	Number	Percent
Daily	255	63.75
Weekly	120	30
Monthly	16	4
Quiet often	9	2.25
Total	400	100

Source: Field Survey, 2023

The frequency distribution of 400 respondents based on how frequently they monitor the share price is displayed in Table 12. Of them, 63.75% checked every day, 30% every week, 4% every month, and 2.25% often.

4.1.2 Descriptive Analysis

4.1.2.1 Awareness of Investors about Investment Decision

The descriptive analysis of the information gathered throughout the study process via the questionnaires is covered in this part. A summary statistic known as a descriptive analysis uses numbers to characterize or condense the characteristics of a set of data. The field of descriptive statistics involves using numbers to describe the key characteristics of a set of data. Simply said, descriptive statistics provide an overview

of the sample and the observations that were made. The study's mean is used to gauge central tendency, while the standard deviation is used to gauge the variability of the study's many variables, including information, social interaction, psychological aspects, regulatory regulations, and the firm's reputation. A "five-point Likert scale" question was presented to the participants, with responses ranking from 1, 2, 3, 4, and 5 for strongly agreeing, agreeing, disagreeing, and neutral.

Table 13

Descriptive Statistics of Psychological Factors

Code	Opinion Statement	Mean	S.D.
PF1	I took long term gain rather than short term	2.22	1.367
PF2	I have a strong gut feeling that will be profitable while buying script	2.46	1.051
PF3	I generally buy stocks with less volatility, and which have more safety	2.47	1.335
PF4	I tend to invest in stocks from my previous mindset	2.84	1.362
	Composite Mean	2.498	

The statement "I took long term gain rather than short term" has a mean score of 2.22 with standard deviation 1.367, meaning respondent agrees with the statement, whereas the statement "I tend to invest in stock from my previous mindset" has a mean score of 2.84 with standard deviation of 1.362, meaning respondent only slightly agrees with the given statement. Its composite meaning is 2.498.

Table 14

Descriptive Statistics of Social Interaction

Code	Opinion Statement	Mean	S.D.
SI1	I take advice from financial advisor while investing in securities	3.18	1.714
SI2	I take advice from Stockbroker while investing in securities.	3.44	1.618
SI3	I take advice from my family and friends.	2.52	1.280
SI4	I prefer to buy stocks when stock has high market noise.	3.40	1.566
	Composite Mean	3.135	

The statement "I take advice from stockbrokers while investing in securities" has a mean score of 3.44 with a standard deviation of 1.618 in Table 14, indicating that the respondent is slightly in agreement with the statement. On the other hand, the statement "I take advice from my family and friends" has a mean score of 2.52 with a standard deviation of 1.280, indicating that the respondent is slightly in agreement with the given statement and that it has a composite mean of 3.135.

Table 15

Descriptive Statistics of Information

Code	Opinion Statement	Mean	S.D.
INF1	I prefer to buy stocks by looking at the firm's financial statement.	1.98	0.933
INF2	I prefer to buy stocks by looking at the script past prices.	2.76	1.240
INF3	I prefer to buy stocks by looking at the status of the Company/Industry in terms of their rating.	2.08	1.008
INF4	I prefer to buy stocks by looking the published information in Newspaper.	2.57	1.200
INF5	I prefer to buy stocks by looking at the firm prospects.	2.10	1.015
	Composite Mean	2.298	

The statements "I prefer to buy stocks by looking the particular script past prices" and "I prefer to buy stocks by looking the firm's financial statement" have different mean

scores (2.298 composite meanings) and standard deviations (1.240 and 0.933, respectively). The statement "I prefer to buy stocks by looking the particular script past prices" has a mean score of 2.76 and a standard deviation of 1.240, indicating that respondents are slightly in agreement with the statement.

Table 16

Descriptive Statistics of Regulatory Policies

Code	Opinion Statement	Mean	S. D
RP1	I prefer to buy stocks of that company when the Company/Industry is highly regulated.	2.10	1.300
RP2	I prefer to buy stocks where the BOD members have high work ethics.	2.26	1.094
RP3	I prefer to buy stocks when the company has an independent management team.	2.45	1.012
RP4	Government should regulate all listed companies.	1.98	1.251
	Composite Mean	2.198	

The statement "I prefer to buy stocks when the company has independent management team" has a mean score of 2.45 with a standard deviation of 1.012, indicating that respondents agree with the statement. On the other hand, the statement "Government should regulate all listed companies" has a mean score of 1.98 with a standard deviation of 1.251, indicating that respondents agree with the statement. Both statements have a composite meaning of 2.198.

Table 17

Descriptive Statistics of Firms Image

Code	Opinion Statement	Mean	S. D
FI1	I prefer to buy stocks when the company having large number of branded Products/Services.	2.56	1.131
FI2	I prefer to buy stocks when the company has a foreign investment, i.e., joint venture.	2.60	1.301
FI3	I prefer to buy stocks which fall in Class A category of NEPSE.	2.61	1.528
FI4	I prefer to buy stocks when the company has more public Image.	2.33	1.301
	Composite Mean	2.525	

The statement "I prefer to buy stocks which fall in Class A category of NEPSE" has a mean score of 2.61 with a standard deviation of 1.528 in Table 17, indicating that respondents are slightly in agreement with the statement. On the other hand, the statement "I prefer to buy stocks when the company has more public image" has a mean score of 2.33 with a standard deviation of 1.301, indicating that respondents are in agreement with the given statement, which has a composite meaning of 2.525.

4.1.3 Inferential Analysis

4.1.3.1 Correlation Analysis

Pearson's correlation analysis between the behavior bias dimension and the decision-making of individual investors is shown in Table 18.

Given that the p value is 0.555, or $p>0.05$, there is a negative correlation between psychological elements and the decision-making of individual investors.

Given that the p value is zero, or $p<0.01$, there is a positive correlation between social contact and the decision-making of individual investors.

Given that the p value is zero, or p<0.01, there is a positive correlation between information and the decision-making process of individual investors.

Since the p value is zero, or p<0.01, there is a positive correlation between regulatory rules and the decision-making of individual investors.

Given that the p value is zero, or p<0.01, there is a positive correlation between a firm's reputation and the decision-making of individual investors.

Table 18

Correlation Analysis of Behavior Biases and Individual Investor Decision Making

Variables	Type of Investors	R	p value
Psychological Factor	Beginners	-0.055	0.653
	Experienced	0.139	0.305
	Overall	0.053	0.555
Social Interaction	Beginners	.413**	0
	Experienced	.564**	0
	Overall	.488**	0
Information	Beginners	.263*	0.029
	Experienced	.455**	0
	Overall	.335**	0
Regulatory policies	Beginners	.451**	0
	Experienced	.294*	0.028
	Overall	.381**	0
Firms Image	Beginners	.450**	0
	Experienced	.358**	0.007
	Overall	.416**	0

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

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

4.1.3.2 Regression Analysis

It includes various techniques for modeling and analyzing multiple variables, when the focus is on the relationship between a dependent variable and one or more

independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Regression analysis is used to analyze the relationship between several independent variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables.

PF, SI, INF, RP, and FI on Every Investor's Investment Decision

This section examines the impact of regulatory rules, business image, information, social interaction, psychology, and information on investors' decision-making.

Table 19

Regression Study of Behavior Biases in the Decision-Making Process of Individual Investors

Regression Analysis (Overall)					
	B	T Value	P value	Tolerance	VIF
(Constant)	1.356	5.048	0		
Psychological Factor	-0.115	-1.512	0.133	0.841	1.189
Social Interaction	0.284	4.869	0	0.888	1.126
Information	0.094	0.822	0.413	0.567	1.765
Regulatory policies	0.182	2.079	0.04	0.636	1.572
Firms Image	0.161	1.969	0.051	0.591	1.693
F-statistics	13.21			R Square	0.357
P value	0.000			Adjusted R Square	0.33

Two of the five variables—social interaction and regulatory policies—have a significant impact on investors' decision-making behavior, as shown by Table 19, which also shows that these two variables have p values of 0 and 0.04, respectively, which are less than 0.05. The remaining factors, which include psychological factors, information, and firm image, have p values of 0.133, 0.413, and 0.051, which are more than 0.05 and indicate that they have no significant effect.

Table 4.19 illustrates this point. The R square value is 0.357, meaning that 35.7% of the variability in investor decision-making can be explained by psychological variables, social interaction, knowledge, regulatory policies, and corporate image.

Table 19 demonstrates that the only factors that significantly influence investors' decision-making behavior are social contact and regulatory rules.

Table 4.19 displays a F value of 13.210 and a p value of.000, meaning that the p value is smaller than the alpha (0.000<0.01), suggesting that independent factors have an impact on decision making behavior.

A regression model's co linearity is examined using the Variance Inflation Factor (VIF), which is defined as 1/Tolerance and is always greater than or equal to 1. Co linearity is the linear relationship between two explanatory variables; two variables are perfectly collinear if they have an exact linear relationship.

Table 4.19 illustrates that for every degree rise in psychological elements, investors' decision-making will decrease by -0.115.

An increased degree of social connection will result in a 0.284 rise in investor decision-making.

An additional degree of information will result in a 0.094 rise in investor decision-making.

Investor decision-making will rise by 0.182 for each extra degree of regulatory policy increase.

PF, SI, INF, RP, and FI on Novice Investors' Investment Decisions

Regression study of the psychological, social interaction, information, regulatory regulations, and corporate image of beginners on investors' decision making is covered in this part.

Table 20

Regression Analysis of Beginners on Individual Investor Decision Making

Regression Analysis (Beginners)					
		ılue	P value	Tolerance	VIF
(Constant)	1.699	4.528	0		
Psychological Factors	-0.213	-2.099	0.04	0.71	1.409
Social Interaction	0.211	2.704	0.009	0.89	1.123
Information	0.081	0.475	0.637	0.498	2.01
Regulatory Polices	0.225	2.145	0.036	0.627	1.594
Firms Image	0.227	2.454	0.017	0.601	1.664
F-statistics	8.518			R Square	0.403
P value	.000b			Adjusted R Square	0.356

Table 20 demonstrates that four out of five variables significantly influence investors' decision-making behavior: the psychological factor, social interaction, regulatory policies, and firms' image have p values of 0.04, 0.009, 0.036, and 0.017, respectively, which is less than 0.05, indicating that they have a significant effect on investors' decision-making behavior; the factor information has a p value of 0.637, which is more than 0.05, indicating that information has no significant effect.

PF, SI, INF, RP, and FI on Experienced Investors' Investment Decisions

Regression study of the psychological, social interaction, information, regulatory regulations, and corporate image of seasoned investors on investors' decision making is covered in this section.

Table 21

Regression Analysis of Experienced on Individual Investor Decision Making

Regression Analysis (Experienced)					
	B	T Value	P value	Tolerance	VIF
(Constant)	1.187	2.992	0.004		
Psychological Factor	-0.062	-0.49	0.626	0.822	1.217
Social Interaction	0.334	3.679	0.001	0.785	1.273
Information	0.291	1.58	0.12	0.452	2.214
Regulatory Policies	0.068	0.418	0.678	0.529	1.889
Firms Image	-0.032	-0.186	0.854	0.451	2.219
F-statistics	6.119			R Square	0.38
P value	.000c			Adj. R Square	0.318

Table 21 indicates that social interaction has a significant impact on investor decision making behavior, with a p value of less than 0.05 (0.001). The other factors, which include information, regulatory policies, firms' image, and psychological factors, have p values of more than 0.05 (0.12, 0.678, 0.854, and 0.626), meaning that they have no significant effect on investment behavior. Of the five variables, only social interaction has a significant impact on individual investment behavior.

4.1.4 Hypothesis Testing

Table 21 provides a summary of the findings of the regression analysis, which was used to evaluate all of the assumptions in the first chapter.

Table 22

Summary of hypothesis

Hypothesis		P-Value	β	Result
H1: There is significant effect of the psychological factors on investment decision making behaviour of individual in stock market.	Beginner	0.04	0.213	Accepted
	Experienced	0.626	0.062	Rejected
	Overall	0.133	0.115	Rejected
H2: There is significant effect of the social interaction on investment decision making behaviour of individual in stock market.	Beginner	0.009	0.211	Accepted
	Experienced	0.001	0.334	Accepted
	Overall	0.000	0.284	Accepted
H3: There is a significant effect of the information on investment decision making behaviour of individual in stock market.	Beginner	0.637	0.081	Rejected
	Experienced	0.12	0.291	Rejected
	Overall	0.413	0.094	Rejected
H4: There is significant effect of the regulatory policies and investor's decision-making behaviour of individual in stock market.	Beginner	0.036	0.225	Accepted
	Experienced	0.678	0.068	Rejected
	Overall	0.040	0.182	Accepted
H5: There is a significant effect of the firm's image and investor's decision-making behaviour of individual in stock market.	Beginner	0.017	0.227	Accepted
	Experienced	0.854	0.032	Rejected
	Overall	0.051	0.161	Rejected

H1: Individuals' stock market investing decision-making behavior is significantly impacted by psychological factors.

Table 4.22 presents the relationship between psychological factors and investment decision making. It indicates that there is no significant effect between psychological factors and an individual's investment decision making behavior in the stock market. Beta value = -0.115 and p value = 0.133, which means p value is more than alpha (P>0.05).

H2: Social contact has a major impact on people's stock market investing decision-making behavior.

Table 4.22 presents the relationship between social interaction and investment decision making. The beta value is 0.284 and the p value is 0.000, indicating that the p value is less than the alpha ($p<0.01$). This indicates a significant effect between social interaction and an individual's stock market investment decision making behavior.

H3: Information has a major impact on how people make decisions about their stock market investments.

Table 4.22 illustrates the relationship between information and investment decision making. The data indicates that there is no significant effect between information and an individual's stock market investment decision making behavior (beta = 0.094 and p value 0.413, meaning p value is more than alpha, $p>0.05$).

H4: Individual investors' decision-making behavior and regulatory rules have a major impact on the stock market.

Table 4.22 provides an illustration of the relationship between regulatory policies and investment decision making. It indicates that there is a significant effect between regulatory policies and individual stock market investment decision making behavior. Beta = 0.182 and p value 0.040 indicate that the p value is less than alpha ($p<0.05$).

H5: A company's reputation has a big impact on how individual investors make decisions in the stock market.

Table 4.22 provides an illustration of the relationship between a firm's image and investment decision making. It indicates that there is no significant relationship between a firm's image and an individual's stock market investment decision making behavior. The beta value is 0.161 and the p value is 0.051, indicating that the p value is greater than the alpha ($p>0.05$).

4.1.5 Major Findings

Utilizing information gathered from a survey performed in the Kathmandu Valley, the study examined samples of 400 respondents from various broker houses in Kathmandu. Regulations and social interaction have a big impact on how individual

investors make decisions nowadays. In terms of the individual social interaction aspects, "I use a stockbroker's advice when investing in securities" is rather pleasant. Additionally, there is solid agreement with the regulatory policy dimension "I prefer to buy stocks when the company has an independent management team."

The study's findings demonstrate that.

Psychological aspects: The relationship between these elements and the decision-making process while making investments has a beta value of -0.115 and a p value of 0.133, indicating that the p value is more than the alpha (P>0.05). This demonstrates that psychological elements have no discernible impact on an individual's stock market investing decision-making behavior.

The relationship between social contact and the process of making investment decisions has a beta value of 0.284 and a p value of 0.000, indicating that the p value is smaller than the alpha (p<0.01). This demonstrates that social contact has a big impact on people's stock market investing decision-making behavior.

Details Information and investment decision-making have a relationship with a beta value of 0.094 and a p value of 0.413, indicating that the p value is greater than the alpha (p>0.05). This demonstrates that knowledge has no discernible impact on an individual's decision-making process while making stock market investments.

The relationship between regulatory policies and the process of making investment decisions has a beta value of 0.182 and a p value of 0.040, indicating that the p value is smaller than the alpha (p<0.05). This demonstrates the strong correlation between regulatory regulations and people's stock market investing decision-making behavior.

Reliability between a company's image and investment choices has a beta value of 0.161 and a p value of 0.051, indicating that the p value is bigger than the alpha (p>0.05). This demonstrates that there is no discernible relationship between a company's reputation and the way people make stock market investments.

- Capital raised and transaction volume in both primary and secondary markets are rising annually.
- The NEPSE's yearly turnover is rising.

- The number of investors participating in the security markets has increased.
- In Nepal's present market, this industry is regarded as one of the most profitable to invest in, behind real estate and construction.
- •Despite the fact that a large number of investors were drawn to the securities market, it was discovered that they knew very little about the fundamentals and workings of the system.
- The majority of them prioritize capital appreciation above long-term gains and focus on short-term gains.
- It was discovered that the majority of responders learned about this industry from the media.
- A lot of them have complaints about the security issuing businesses' failure to provide them with sufficient and clear information.
- It is also discovered that common stock alone dominates the market. Thus, the issuance of government and corporate bonds has been one of the few alternatives open to investors in recent years; the majority of the listed firms were in the banking and finance sectors.

4.2 Discussion

The factors of investing behavior in the Nepalese stock market have been underestimated as a result of this research. It supports earlier studies on the subject empirically, with help from Nepal. The study's primary goal was to comprehend and pinpoint the variables influencing each investor's decision-making in NEPSE. The many elements that might affect investment activity were examined in this study. The part dealt with the discussion of the issues pertaining to the link between individual investing behaviors and other variables taken under research, as the current study explored the many elements that determine the behavior of individual NEPSE investors. Nonetheless, the study's findings are heavily influenced by male participants between the ages of 20 and 40.

This research provides a broad overview of how behavioral variables affect people's performance and investing choices in the Nepalese financial market. Unlike earlier research, which mostly relied on traditional finance, this study is grounded in the principles of behavioral finance. While previous research only looked at the effects of a few select behavioral factor dimensions, this study attempts to examine the entire

range of behavioral variables to evaluate their effects on Nepalese individual investors.

This study found that the average annual investment amount of general investors is positively impacted by the interplay of several demographic characteristics. Age, education, employment, experience, income level, and amount invested in the stock market are among the demographic traits of general investors that have a beneficial influence. This result is in line with what Khanam (2017) found. The researchers also came to the conclusion that the various demographic factors positively impacted common investors' investment amounts. The study looked at the relationship between general investors' investment amounts and demographic traits, however the results differed from those of Lewellen et al. (1977). They discovered that the majority of primary market participants in the secondary market had psychological statuses that differed from their demographic statuses whether making primary market investments or engaging in secondary market activities.

The study comes to the conclusion that, of the five behavior bias factors, three—social contact, information, and regulatory policies—are consistent with earlier empirical research, whereas the image of the company differs. The results of the prior empirical investigations are consistent with the independent variables, which include social contact and regulatory policies, which have positive significant relationships, and accounting information, which has negative relationships. In a similar vein, Sabir et al. (2021) investigated how religiosity did not effect investing behavior, but social influence did influence investment intention. Researchers came to the conclusion that financial literacy considerably affected the association between an individual investor's investing intention and behavior in the stock market. The image of a corporation has a favorable and substantial link, according to empirical investigations.

Researchers discovered in this study that whereas experienced investors only significantly affected social contact, novice investors significantly affected four variables: psychological characteristics, social interaction, regulatory regulations, and business image. In order to react quickly to market news, novice investors keep up with regulatory bodies such as NEPSE and SEBON. They also learn about rules and regulations quickly. Psychological factors, social interaction, regulatory policies, and a company's image all have a big impact on novice investors' decision-making, while

social interaction has a bigger impact on experienced investors' decision-making. This result is similar to that of Nagy and Obenberger (1994). The researchers carried out a study to ascertain the fundamental factors influencing the choices made by individual equities investors who had considerable holdings. The study's findings, which looked at a variety of factors that affect investor behavior, revealed that investors value traditional wealth-maximization criteria while using a variety of criteria to choose companies. Modern issues including the company's ethical stance, environmental record, and local or global activities seem to be given simply a passing thought. The advice given by brokerage firms, individual stockbrokers, loved ones, and coworkers is rarely followed.

The results of this study showed a strong positive correlation between advocate recommendations, unbiased information, coincidence between one's own and the firm's image, and the investment decisions made by individual investors. This study is in line with Ali & Tariq (2013) in that it did not uncover any indication of a connection between accounting information and individual financial requirements. They looked at investor behavior, a key idea in behavioral finance that examines how different circumstances affect an individual investor's choice to buy or sell stocks. In Pakistan, the researcher discovered that factors such as classical wealth maximization, accounting information, and individual financial needs had no effect on the decision-making of individual equity investors, but that self-image/firm-image coincidence, neutral information, and advocate recommendation had a strong influence. However, this study differs with Thapa's (2013). The researchers came to the conclusion that investors were driven by short-term profit rather than any preference in these kinds of markets for investments.

An overview of the elements influencing individual investors' decision-making behavior while making securities investments is provided by the research. The goal of the study is to investigate how many factors, including psychological factors, social interactions, information, regulatory policies, and company image, influence how individual investors make decisions in the stock market.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter is divided into three sections. An overview of the study is given in the first part of this chapter. The study's primary conclusions are presented in the second part. Lastly, the inference was put out in this chapter's third part.

5.1 Summary

For any economy, mature or emerging, the creation of financial markets and institutions is essential. They serve as the go-between in allowing money to go from savers to investors. They reduce the cost of capital for investors and hasten the nation's economic growth by offering an institutional framework for mobilizing domestic funds and effectively directing them toward profitable investments. Financial institutions handle the financial intermediation between savers and borrowers. These organizations make investment finance possible. Equity facing is an alternate mode of intermediation. Only with the growth of capital markets is this feasible. The capital market is linked to the long-term mobilization of financial resources and deals with assets like stocks and bonds.

Investments in various assets can be made by both individuals and institutions through the financial market. The financial industry has grown to be a crucial component of economic growth in recent years. It may be quite helpful in promoting and directing savings so that business owners can fund successful economic ventures. Economic progress is the result, and the stock market is the cause, as demonstrated by examples from industrialized nations. The direct connection between capital money sources and users is provided by the stock market. Consequently, there are theoretical and practical viewpoints on the stock market. The primary goal of this study is to investigate the variables influencing people's stock market investing behavior in Nepal. The study's particular goals are to investigate the key variables influencing each investor's investing behavior.

Examining the variables affecting individual investors' investment decision-making behavior is the study's primary goal. An overview of the elements influencing

individual investors' decision-making behavior while making securities investments is provided by the research. The goal of the study is to investigate how many factors, including psychological factors, social interactions, information, regulatory policies, and company image, influence how individual investors make decisions in the stock market. A closed-ended, structured questionnaire with 400 respondent samples from various broker houses in Kathmandu was used to gather the study's results. Microsoft Excel and the Statistical Package for Social Science (SPSS) software program were used to analyze the data.

The demographic features of investors do not exhibit significant variation. Thirty to forty years old accounts for 30.75% of investors, with 70% of them being men. There are more married people (78.5%) than single people (21.5%) in the population. It was shown that 64.25% of investors, or those with jobs, are active in their professions. The percentage of self-employed investors was just 23.75%, with 12% of them being students. 45.5% of investors held a master's degree or above in education. Most of them learned about the securities market via media reports, and they also rely on media coverage when choosing investments. Many of these responders also make their investments based on whims and market rumors. A maximum of 63.75% of investors check the share price every day, demonstrating their involvement and attention.

Middle-aged male investors dominate the securities market, with the majority of these investors being part-time individuals who invest their excess income in stocks in the hopes of quickly multiplying their capital. The bulk of investors were professionals, that is, those who worked at their jobs as opposed to independent contractors. Students also invested; they were mostly master's level students. The primary goal of an investor in a securities is financial gain, more precisely, short-term capital appreciation. A lot of investors view investing strategies as the least critical components and don't have any. The majority of investors use a combination of fundamental and technical approaches to analyze securities; some even rely on the advice of friends, family, and relatives when making investing decisions. Since common stocks dominate the Nepalese capital market, many investors we spoke with during in-person interviews were unaware that there are other financial instruments available than common stocks.

As previously illustrated, people are drawn to the securities market primarily for short-term gains and lack a thorough understanding of it. They don't search for sustained gains. Many respondents stated that they would rather get bonus and right shares than dividends and that they would rather see capital appreciation. This demonstrates that the investors lack a thorough understanding of the mechanism and the methodical approach to calculating risk and return. They therefore prioritize short-term profits above long-term rewards. Another finding is that a lot of investors express dissatisfaction over the lack of sufficient and clear information on the firms whose bonds and equities they want to buy. They are so frequently duped.

This study discovered that, of the five behavior bias factors, three—social contact, information, and regulatory policies—are consistent with earlier empirical research, but the image of the company differs. The results of the prior empirical investigations are consistent with the independent variables, which include social contact and regulatory policies, which have positive significant relationships, and accounting information, which has negative relationships. Although empirical research indicates a positive and significant relationship between a firm's image and its performance, my own research indicates no significant relationship between a firm's image and performance.

5.2 Conclusion

The capital market in Nepal is undergoing a crucial phase of change. Every year, more and more businesses are obtaining funding from the main market. In a similar vein, the secondary market's market capitalization, number of listed companies and securities, and annual turnover are all dramatically rising. These data all point to promising developments for Nepal's capital market. The market is growing every year.

5,150,939 Demat accounts have been opened overall, according to statistics from the Central Depository System (CDSC) (CDSC, April 27, 2022). This indicates that family savings have been drawn to the securities market to a similar degree. However, their options for investing are restricted to common stocks, a small number of

preference shares, corporate debentures, and freshly released government bonds. The majority of investors favor stocks that have the potential to increase in value quickly. Investors in their middle years control the securities market. The market is dominated by men, and the majority of investors are part-timers who put their extra money into securities in the hopes of seeing a quick increase in value. The majority of investors were discovered to be professionals, meaning they were employed rather than self-employed, and most of them had bachelor's degrees or higher in education. Students also invested; they were mostly master's level students.

The primary goal of an investor in a securities is to make a profit. The attitude of investors toward security investments is favorable. They view it as a lucrative endeavor. They would want to see more common stock issued since they love investing in it. They are quite upbeat and reveal that taking significant risks is necessary in order to succeed financially. The tiny investors are not sufficiently protected by SEBSON's regulation. They give the market more room to grow than institutional investors do. Additionally, they believe that trading securities on a regular basis can yield greater financial gains than holding them for an extended period of time. As a result, they trade securities regularly.

The study is ended by presenting all the solutions to the research questions mentioned in preceding Chapter. This signifies the study objectives are done and the hypotheses are tested. Based on the outcomes of this investigation, suggestions have been offered. This study was aimed at discovering the individual judgment, role of social contact and information, link between psychology, regulatory policies and firm’s image on the investor’s investing behavior. There were 21 elements relating to five primary groups treated as independent: businesses' image, information, regulatory policies, social interaction, and psychological aspects. Based on the computed mean, the findings indicate that every variable has some influence on the way individual investors in the Kathmandu Valley make decisions. Only two of the five independent factors have a major impact on the decision-making of individual investors—three of the variables are rejected and the other two are accepted.

When making stock market investments, novices and experts make different decisions. Experienced investors only have a substantial impact on social contact,

whereas beginners have a significant impact on four variables: psychological considerations, social interaction, regulatory regulations, and businesses' image. In order to react quickly to market news, novice investors keep up with regulatory bodies such as NEPSE and SEBON. They also learn about rules and regulations quickly. Psychological factors, social interaction, regulatory policies, and a company's image all have a big impact on novice investors' decision-making, while social interaction has a bigger impact on experienced investors' decision-making. Social interaction and regulatory policies are the only two factors that significantly affect the whole.

5.3. Implications

Capital markets play a crucial role in the financial sectors of both developed and developing nations. Through increased savings and mobilization, access to external savings, the spreading of financial risk, and their facilitation of the conversion of savings into investments, well-developed capital markets support economic growth. Decisions made in the stock market have a significant impact on market trends, which in turn have an impact on the economy. It is crucial to look at the behavioral elements that affect investors' decisions on the Stock Exchange and how these aspects affect their investment success in order to comprehend and adequately explain investor decisions. We have looked at the behavioral aspects in this way.

The study has several ramifications that are applicable.

- To launch the financial derivatives market, NEPSE needs to take the appropriate actions. It is recommended that derivative securities such as rights, options, and futures be brought into the market. This will increase the investors' options for investments while also offering a suitable method of controlling investment risk.
- Novice investors need to understand that psychological factors affect them. Since psychological variables have an impact on the market, it is crucial to properly analyze both fundamental and technological tools in addition to having a thorough awareness of psychological factors.
- As rumors now dominate the Nepalese market, investors should be mindful of the potential behavioral bias they may possess. Furthermore, the outcome has demonstrated that seasoned investors remain immune to psychological influences due to their background in the stock market.

- Social interaction and regulatory regulations impact investors. Therefore, SEBON should create sound policies and regulations to boost investor trust in the stock market, which helps the market as investment rises as investor confidence rises.
- The dearth of brokerage firms is negatively affecting small investors. Small investors are neglected by them, which prevents them from being able to purchase and sell desired assets when they need them. Through, SEBSON has already started study for boosting the number of brokers.
- The Nepalese securities market is controlled by liquidity dealers. Very few investors perform study of financial accounts of the firms. The existence of liquidity traders on a vast scale produces tremendous market volatility.

Suggestions for Further Research

The door is still open for more research because of this study. There are a few potential topics for more study on the behavior of share prices in the Nepalese setting. 20 behavioral biases have been found by Pompian (2006). Similar studies can be used to test these biases. Furthermore, the part of personality that influences decision-making and behavioral bias has been examined in other research. This may also be investigated using a methodology akin to the new model. Similar to how asset prices impact financial choices, this will likely be a hot topic for research in the future. Furthermore, the main data including 1000 samples from cities around the nation, such as Pokhara, Chitwan, Nepalgunj, etc., may be utilized for additional research to examine in a wider manner.

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APPENDIX

Dear respondents,

I am a MBS final semester student of Shanker Dev Campus. The MBS program of central department of management T.U. requires the student to write a thesis for which I am conducting a survey of **INDIVIDUAL INVESTMENT BEHAVIOUR TOWARDS FINANCIAL MARKET.**

I would highly appreciate your kind co-operation regarding the matter.

Thank You

Personal Information

Name: …….

Address…… **Ph.No** ……

Gender:

Male ( ) Female ( )

Age:

Below 20 ( ) 20 to 30 ( ) 30 to 40 ( )

40 to 50 ( ) 50 to 60 ( ) 60 Above ( )

Education Qualification:

Below SLC ( ) SLC ( ) +2 ( )

Bachelor Degree ( ) Master Degree ( ) Above Master Degree ( )

Occupation:

Government Service ( ) Private Sector ( ) Business ( ) Others…….

Marital Status:

Married ( ) Unmarried ( )

Investment Information

1. **Investment experience**

   i. Beginners -3 year ( ) **ii.** more than 3 years ( )

2. **Purpose of investment**

   i. Security ( ) **ii.** Returns ( ) **iii**. Others……

3.Amount of Investment:

Below 1 lakhs ( ) 1 lakhs to 5 lakhs ( ) 5 lakhs to 10 lakhs ( )

10 lakhs to 20 Lakhs ( ) 20 upto 50 lakhs ( ) 50 lakhs & Above ( )

Awareness of investors about Investment Decision

Strongly Agree

Agree

Slightly Agree

Slightly Disagree

Disagree

Strongly Disagree

Psychological Factors

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

Social Interaction

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

Information

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

Regulatory Policies

Particulars	**1**	**2**	**3**	**4**	**5**	**6**
I prefer to buy stocks of that company when the Company/Industry is highly regulated.						
I prefer to buy stocks where the BOD members have high work ethics.						
I prefer to buy stocks when the company has independent management team.						
Government should regulate all listed companies.						

Firms Image

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

public Image.						

Perceptual Information On Individual Investor Decision Making

Particulars	**1**	**2**	**3**	**4**	**5**	**6**
I invest frequently in Stock Market.						
I am very confident about the current stock market trend of Nepal.						
I take loan very often for the purpose of investing in securities.						
I usually calculate stock price and buy stocks.						
I keep on watching dividend policy of companies and invest accordingly.						
I prefer to buy only in IPO in Stock Market.						

Thank You

INDIVIDUAL INVESTMENT BEHAVIOUR TOWARDS FINANCI...

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INDIVIDUAL INVESTMENT BEHAVIOUR TOWARDS FINANCIAL MARKET A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master's Degree (MBS) By: Sudip Budhathoki Campus Roll No. : 262/076 Exam Roll No: 24187/20 T.U. Reg. No: 7-2-31-768-2015 Shanker Dev Campus Kathmandu, Nepal June, 2024 ABSTRACT The purpose of this study was to investigate how individual investment behavior affects the financial market. Examining the variables affecting individual investors' investment decision-making behavior is the study's primary goal. The notion about the association between behavioral characteristics and investing decisions is also frequently tested by research. The primary survey was used to conduct the study. There are 400 responders in the study's sample size. The structured questionnaire was used to gather data from several individual investors as well as from publications and the internet. The study employs both a causal comparative research design and a descriptive research strategy. The association and significance test between psychological elements, social contact, information, regulatory policies, corporate image, and investment choice was conducted using the correlation coefficient and multiple regression model. The study's conclusions show that while accounting information has a negative relationship with dependent variables—individuals' stock market investment decision-making behavior—independent variables like regulator policies and social interaction have positive, significant relationships. Social contact, regulatory laws, and individual stock market decision-making behavior all have a big impact on each other. Information, front-end image, and psychological factors do not significantly influence an individual's stock market investing decision-making behavior. Regulations and social interaction have an impact on investors. Therefore, SEBON should provide sound policies and guidelines to boost investor trust in the stock market, which would help the market as investment confidence rises. Key words: Information, social interaction, psychological aspects, regulatory rules, and company image. CHAPTER I INTRODUCTION 1.1 Background of the study The primary purpose of the capital market is capital formation. It distributes money from those who are wealthy to others who require it in order to invest in material goods (Thapa, 2009). financing markets facilitate economic growth by facilitating the long-term financing required for productive industries. The primary goal of the capital market is to provide as many opportunities as possible for people to profit from return money. (Ojha (2000)). The people was drawn to the stock market, according to Chote Lal Rauniyar, Ip-President of the Nepal Investors' Forum, because of the drop in income resources brought on by the lockdown and bank