

EFFECT OF BEHAVIORAL FACTORS ON INVESTORS' INVESTMENT DECISIONS IN STOCK MARKET

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

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July, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Effect of Behavioral Factors on Investors’ Investment Decisions in Stock Market”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

Ms. Sushma Rai has defended research proposal entitled “**Effect of Behavioral Factors on Investors’ Investment Decisions in Stock Market**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Madhusudan Gautam and submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Effect of Behavioral Factors on Investors’ Investment Decisions in Stock Market**” presented by Sushma Rai, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ACKNOWLEDGEMENTS

This study entitled **“Effect of Behavioral Factors on Investors’ Investment Decisions in Stock Market”** has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of qualitative aspect of effect of behavioral factors on investors’ investment decision in stock market.

I have great satisfaction and pleasure to express my appreciation and sincerity to my dissertation supervisor Madhusudan Gautam of Shanker Dev Campus, TU for his excellent and effective guidance and supervision. I will remain thankful for his valuable direction useful suggestion and comments during the course of preparing this dissertation without his help this work would not have come in this form. I also would like to extend my debt of gratitude Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of Research Department and I owe a deep debt of gratitude to Asso. Prof. Krishna Prasad Acharya, Campus Chief of Shanker Dev Campus who provided me an opportunity to undertake this research work.

I highly appreciate to Shanker Dev Campus Library and TU Central Library for their valuable advices and support in collecting and presenting the necessary data. I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this dissertation. With help and support, I have been able to complete this work. I would like to take the responsibility of any possible mistakes that may have occurred in the report. I would be delighted to welcome readers for their suggestion and recommendation to improve the report.

Sushma Rai

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ABBREVIATIONS

%	:	Percentage
&	:	And
e.g.	:	Example
HDF	:	Herding Factors
HF	:	Heuristic Factors
i.e.	:	That is
IBM	:	International Business Machine Corporation
IDP	:	Investment Decision Performance
MF	:	Market Factors
MS. DO	:	Microsoft Disk Operating System
No.	:	Number
PF	:	Prospect Factors
Res	:	Respondents
SEM	:	Structural Equation Modeling
SPSS	:	Statistical Package for Social Sciences
T.U.	:	Tribhuvan University

ABSTRACT

The main purpose of the study was to examine the effect of behavioral factors on investors' investment decisions in stock market. The study has used descriptive and casual research design. This study used descriptive statistic, correlation analysis and regression analysis to analyze the data by using SPSS version 26. This study shows that investors agreed that herding factors and heuristic factor highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis reveals that the correlation analysis reveals that shows that there is significant position association between heuristic factors and investment decision. Similarly, prospect factors have significant positive relationship with investors' investment decision. At the same time, there is significant positive association between market factors and investment decision. Moreover, correlation value between herding factors and the investment decision is significant positive. The regression analysis shows that there is significant positive effect of heuristic factors on investment decision. Then, there is also significant positive effect of prospect factors on investment decision. At the meantime, market factors have significant positive impact on investment decision. Finally, herding factors have significant positive effect on investment decision. Therefore, all the behavioral factors have significant impact on investors' investment decision in stock market.

Keywords: Investment decision, heuristic factors, prospect factors, market factors, herding factors.

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Investors are the real players in the stock market. There are two main categories of investors that participate in the stock market: institutional investors and individual investors. Institutional investors seem sensible and make intelligent investing decisions because of their knowledge and expertise. In contrast, individual investors are likely to be less experienced, prejudiced, and ordinary noisy traders in the financial market compared to institutional investors. When it comes to investing, people make decisions based on their ideas, feelings, and emotions, which influences the choice. Thus, individual investors' investing decisions are influenced by psychological biases. It shows how several elements that ultimately determine market success impact the way small investors behave while making investments. Stock market decisions made by investors have a big impact on the market trend, which in turn has an impact on the economy (Kunwar, 2021).

Investment decisions may be influenced by a variety of factors, including the investor's mindset and the investing environment. When conducting investment analyses, investors commonly use technical analysis, fundamental analysis, and judgment. When making investments, it's usually beneficial to use decision tools. Both the performance of the market and the investing decisions made by individual investors are likely to be influenced by information architecture, individual variations, and market-related difficulties. In order to understand why people purchase or sell stocks, investor market behavior is derived from psychological concepts of decision-making. Consequently, behavioral finance has been applied to provide more light on the reasons behind people's stock purchases, sales, and lack thereof (Elhussein & Abdelgadir, 2020).

Conventional financial theory assumes that investors are rational, wealth-maximizing agents that adhere to fundamental financial principles and select their investment plans only by weighing the trade-off between risk and return, disregarding psychological considerations. As a result, behavioral finance is regarded as a cutting-edge method of researching market behavior. Behavioral finance views individuals

through a practical perspective and recognizes that psychological elements may impact them in part or in full because market players are also human. Behavioral finance posits that the psychological notion of decision-making is the source of an investor's use of market activity to justify stock purchases and sales (Rajeshwaran, 2020).

Important considerations include the type of security or asset to invest in, the amount to invest, the timing of the investment, and the duration of the investment. Depending on their level of risk tolerance, investors may choose to invest in shares, bonds, marketable securities, or other assets due to the differences in the risk and return profiles of these different investing choices (Kengatharan, 2014). Each investor goes through a fairly sophisticated cognitive process before making an investment choice. Determining the fundamental elements influencing each person's investing decision is difficult, if not impossible. Over the past few decades, there has been a considerable change in the process of picking assets. Numerous instruments, methods, and conventional frameworks are employed in the process of making financial and investing decisions. In the absence of a behavioral and contextual knowledge of individual investors and their investing environment, the use of these complex tools, procedures, and models would be insufficient.

Consequently, investors' decisions are occasionally influenced by psychological variables in addition to rational ones. Because of its ability to explain investor behavior and its impact on decision-making, behavioral finance has attracted a lot of interest lately. The first studies that tried to explain the behavior of the individual investor were published in the 1970s. The process of making decisions when purchasing or disposing of financial assets is explained by the study of behavioral finance. This book mostly focuses on the psychological ideas that investors use to decide which investments to make. Sometimes investors don't seem like the most sensible people to invest in these behaviorists contend that investors are capable of acting irrationally while choosing investments (Javed & Marghoob, 2017).

Shefrin (1999) stated that the discipline of behavioral finance, which studies how financial experts' decisions are influenced by psychology, is expanding rapidly. A multitude of studies in behavioural finance have examined the factors influencing an

individual investor's selection of stocks. Meriks et al. (2004) divided the factors affecting individual investors' decisions into five groups: financial requirements particular to the investor, neutral information, subjective/personal, advocacy recommendations, and neutral information. Nagy and Obenberger (1994) used the following seven classifications: accounting information, neutral information, advocate recommendation, traditional wealth maximization, coincidence between one's own and one's firm's image, social significance, and individual financial desires.

This study aimed at analyzing the behavioral bias in investment decision of individual investors in stock market of Nepal. The research also seeks to explore the influence of individual's behaviours and how each factor affects their investment behaviours. Further, the study also investigated the influence of investor's general investment behaviour on each factor. By combining all these aspects of investor's behaviour, this research crafts exceptional appeal to the existing literature of behavioural finance in developing countries, especially in the context of Nepal

1.2 Problem Statement

Investor decisions have a big influence on the patterns in the stock market, which affect the economy. To understand and sufficiently explain the investor's selections at the Nepal Stock Exchange (NEPSE), it is imperative to look into the behavioral factors influencing such decisions. Security businesses may also utilize this information to better understand investors, which might help them anticipate more accurately and make better recommendations. Comparably speaking to other affluent nations, there is comparably little study on behavioral finance conducted in Asia. It is assumed in behavioral finance that market participants' traits and the information structure they possess consistently affect people's judgments about what to invest in and how the market performs (Barberis & Thaler 2003).

Aziz and Khan (2016) observed that there was a positive relationship between heuristics factors and investment performance. Javed and Marghoob (2017) found four components of the prospect factor, according to: mental accounting, regret aversion, loss aversion, and loss aversion has significant impact on investment decision-making. Sashikala and Chitramani (2018) found that the best markers of variations in investment intention were prospect and herding variables, whereas

heuristics and market factors had no appreciable effect on short-term investment intentions.

Rajeshwaran (2020) showed that while prospect, market, and herding variables had negative relationships with investment success, heuristic factors had a strong positive association. According to Baral and Pokharel (2020) stated that there was no significant correlation between investment performance and heuristics (such as anchoring, representative, overconfidence, availability bias, and gamble's fallacy), herding (buying and selling, volume of trading stocks, speed of herding), and prospect (loss aversion, regret aversion, and mental accounting). Elhussein and Abdelgadir (2020) stated that the factors that have a significant impact on individual investment decision making process include representativeness, overconfidence, anchoring, historical cost of stock, customer preferences, loss aversion, mental accounting, other investors' trading volume, and quick reaction to changes in other investors' decisions. Factors that have an insignificant impact include availability bias, change in stock prices, regret aversion, and other investors' decisions and choices.

Silwal and Bajracharya (2021) found that prospect behavioral factor is seen to have negative correlation to investment decision. Herding, Market variables and Heuristic (including overconfidence and anchoring bias) are found to have positive correlation to investment decision. Kunwar (2021) found herding and prospect variables had no significant link with investment success, whereas the market and heuristics elements had a strong positive relationship. Gyawali and Neupane's (2021) showed the influence of overconfidence, herd mentality, and loss aversion on investment decisions. On the other hand, the investment decisions of individual investors were unaffected by anchoring, mental accounting, or regret aversion. Cao, Nguyen, and Tran (2021) mentioned heuristic, prospect, market, and herding had a direct and beneficial impact on investment decision-making.

Ong'eta (2021) established that investment decision did not significantly control the relationship between the following behavioural factors-herding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence) and investment decision of the individual investors in Nairobi Securities Exchange. Karmacharya et al. (2022) showed that among the four

behavioral variables, market, heuristic, and herding factors had significant effects on investment decision. The economy of Nepal would expand with more investment, both foreign and indigenous, in the share market.

Dhungana et al. (2022) found no relationship between regret aversion and anchoring biases and irrational investment decisions; instead, they found a relationship between irrationality in financial decision making and availability, overconfidence, and herding instinct biases. All of the biases, meanwhile, were positively correlated with an irrational investment choice. Hendrawaty (2022) showed that heuristic and market behavioral bias had a beneficial impact on individual investors' investment decisions, whereas prospects and herding had a negative effect. Further, literature review conveys that very few studies carried out in the Nepalese context conveys a clear profile of the individual investor behaviours. Hence, findings of the current study would provide significant information to understand the factor determinants of the Nepalese individual investor's behaviours. This study deals with following issues in context of Nepal.

- What is the behavioural factors influencing the investment decisions of individual investors?
- Is there any the relationship between behavioural factors and investment decisions of investors?
- What is the impact of behavioural factors on the stock investment decision-making of individual investors in Nepalese share market?

1.3 Objectives of the Study

The major objective of this study is to analyze the impact of behavioral factors on investors' investment decision in stock market. The other specific objectives are;

- To identify the behavioural factors influencing the investment decisions of individual investors.
- To analyze the relationship between behavioural factors and investment decisions of investors.
- To assess the impact of behavioural factors on the stock investment decision-making of individual investors in Nepalese share market.

1.4 Research Hypotheses

To achieve the research objectives, the following Hypotheses have been formulated for the study:

H₁: There is no significant impact of heuristic factors on stock investment decision making.

H₂: There is no significant impact of prospect factors on stock investment decision making.

H₃: There is no significant impact of market factors on stock investment decision making.

H₄: There is no significant impact of herding factors on stock investment decision making.

1.5 Rationale of the Study

This research contributes to the understanding of the impact of behavioral factors on stock market investment decisions made by government agencies, financial advisors, individuals, and corporations listed on Nepal's stock exchanges. The elements that affect investors' decision-making are important since they have an impact on their future financial goals. Finding the most important elements that impact an investor's behavior has an impact on a company's future plans and strategy. Financial advisors can recommend investments that best suit their clients by taking these aspects into account. Finally, identifying the key influencing elements aids the government in modifying necessary laws and other policies that are required to both appease investors and strengthen the efficiency of the market.

1.6 Limitations of the Study

This study has some limitations mentioned below.

- In order to obtain as many responses as possible, the respondents were personally questioned. As a result, answers could be prejudiced.
- Given that the respondents were selected from intimate networks, which includes friends, family, and their own social circles, it may not be possible to draw conclusions about all investors.
- The study has been conducted selected investors inside the Kathmandu valley. Thus, the findings may not be generalizable to the whole investors.

- Although the sample size is relatively high (N=400), a larger sample size would reflect the investor's situations more accurately.
- Investor impressions serve as the basis for measuring the success of investments. Investors' subjective awareness is used to evaluate it. On the other hand, some investors might not be aware of the average return on the stock market or their own predicted return.
- Only four independent variables i.e. heuristic variables, prospect variables, market variables and herding variables have been considered for the entire study.
- This study used only descriptive analysis, correlation analysis and multiple regression analysis.

CHAPTER II

LITERATURE REVIEW

The primary objective of this section has been on reviewing pertinent literature about the impact of behavioral factors on stock market investment decisions. All research is predicated on historical knowledge and data; these forms the foundation of the study. This chapter is important to my research since it helps me get adequate feedback to broaden the body of information and contribute to my analysis. This chapter focuses on the research gap, the theoretical review, and the review of the empirical review.

2.1 Theoretical Review

In this section, the focus is on various theories under which the study is underpinned; it specifically focuses on the prospect theory, behavioral finance theory and heuristic theory.

2.1.1 Prospect Theory

The fundamental work of Kahneman and Tversky from 1979 supported prospect theory, which focuses on subjective decision-making influencing investors' value system when risk-taking behavior and uncertainty were present (Horvath & Filbeck, 2005). People tend to react differently to comparable occurrences when presented in the context of profits or losses, which is caused by their predisposition to undervalue likely outcomes in compared to particular ones. In essence, the theory explains why people exhibit inconsistent risk aversion, acting risk-aversely in winning situations but risk-takers in losses. This explains why individual investors are more likely to put stopping a loss ahead of achieving a profit.

Olsen (1997) argued out that prospect theory "gives weight to the cognitive limitations of human decision makers," which means that an individual investor bases their decisions on bounded rationality, as supported by behavioural decision theory (the behavioural finance viewpoint), rather than the concept of rationality as expounded by classical decision theory (the standard finance perspective). Ritter (2003) further contended that prospect theory, which concentrates on changes in wealth, is a descriptive theory under uncertainty. One significant implication of

prospect theory, according to Kahneman and Tversky (1979), is that economic actors' degree of satisfaction with returns is influenced by how they conceptualize an outcome or transaction.

According to prospect theory, there are two stages to the decision-making process: the first involves framing and editing the available options based on the decision-makers prior perceptions; the second stage involves evaluating these prospects in light of the decision-maker's subjective estimation of their likelihood of occurring. The utility function, which is concave for gains and indicates that people feel good when they gain but not twice as good when they gain, explains why individuals love to take risks when it comes to losses. People feel pain when they lose, but twice the loss does not equal twice the agony, according to the convex utility function for loss. When faced with a choice between a definite gain and a gamble that could enhance or decrease the sure gain, an investor is more inclined to go with the sure gain. If offered the option between a guaranteed loss and a walk, the investor will, in any other case, take a chance. Prospect theory evaluates loss aversion, regret aversion, and mental accounting, three emotional biases that affect investors' decision-making processes (Kengatharan, 2014).

2.1.2 Behavioral Finance Theory

Behavioral finance emerged as a response to the shortcomings of classical finance (Statman, 1999). Behavioral finance, according to Linter (1998), is the study of how individuals comprehend and respond to information in order to make financial decisions. Generally speaking, the literature on behavioral finance is composed of two main parts. Finding deviations from the Efficient Market Hypothesis is the first step, and identifying investor biases or behaviors that defy traditional financial and economic ideas of rational conduct is the second.

Statman (1999) indicated that the objective of behavioral finance is to pinpoint and elucidate how emotions and cognitive errors affect financial decision-making. By fusing classical finance ideas with psychology, behavioral finance offers investors greater explanations for their illogical financial decisions. Barberis and Shleifer (2003) studied a number of trading anomalies, including herding behavior,

overreaction, under reaction, and momentum strategies, and suggested that these anomalies violate the Efficient Market Hypothesis's trading rules and render traditional finance models and theories inappropriate for relating investment risk and returns. The goal of behavioral finance is to provide an explanation for potential market inefficiencies. Behavioral finance, to put it briefly, is the application of human behavior's behavioral characteristics to financial theories and models to further economic knowledge. It provides a deeper comprehension of investor behavior and real market.

The focus of behavioral finance is on human nature, with emotional responses and erroneous decisions influencing an individual investor's decision-making. Kenneth and Kim (2007) mentioned that Behavioral finance can aid in our understanding of investor behavior and cognitive capacities, as investors are subject to a number of cognitive biases that restrict their intellectual capacity. Numerous research conducted worldwide have observed that retail investors in stocks are not able to take full advantage of market development and volatility. Behavioral factors have a major impact on the performance and investment decisions of individual investors (Bilal, 2016). Behavioral and emotional elements, which are impacted by investors' behavioral biases, have been identified as the main determinants influencing investing decisions.

2.1.3 Heuristic Theory

Behavioral economics acknowledge that humans use heuristics in our decision-making process to help us navigate an ever more complex world. Gigerenzer and Wolfgang (2011) defined heuristics as a tactic that bypasses some data in order to make judgments faster, cheaper, and more precisely than with more intricate approaches. These straightforward, effective guidelines work best in circumstances when there is more uncertainty, less time available for decision-making, and lower-quality information than in more complicated, data-driven approaches. Instead of trying to discover the greatest answer, they look for the one that best fits the situation of the particular investor, taking into account the trade-offs between uncertainty, decision-making time, and the expense of obtaining more information.

Heuristics are mental short cuts that we can use to rapidly reach where we need to go based on our past experiences. They have been developed over thousands of years and can be regarded of as mental shortcuts that can lead us in the wrong path or introduce biases that cause us to overestimate or underestimate the actual outcome (Ricciardi & Simon, 2001). Bias that results from applying the incorrect rule of thumb to an issue frequently leads to mental errors. The expectations of the market for the future determine the pricing of stocks today. In the end, equities could be mispriced if the market has skewed expectations. The heuristic theory is relevant to this research because it provides a detailed explanation of how heuristic elements like availability, overconfidence, and anchoring bias influence investment decisions made on the Nairobi Securities Exchange (Kimeu et al., 2016).

2.1.4 Theory of Overconfidence

Overconfidence shows up when there is limited diversity due to a propensity to spend excessively in one's area of familiarity (Ritter (2003). It's challenging to choose common stocks that will do better than the market. Feedback is loud and predictability is low. Consequently, the task that people are most overconfident about is stock selection (Barber & Odean, 2001).

In the past, the investors had faith in their own judgment. Usually, they don't go through the literature or current events. Investors' overconfidence causes them to make decisions without taking previous facts into account, which ultimately jeopardizes their long-term benefits. Once upon a time, investors believed they could constantly beat the market (Tapia & Yermo, 2007). Many people exceed their abilities, skills, knowledge, and information accuracy due to their excessive self-confidence. Among the phenomena that behavioral finance has explored the most is the idea of overconfidence.

Overconfidence has a big impact on how investors behave in the financial markets. It is important to emphasize that individuals, not the market, are what cause an excess of certainty. Being regarded as exceptionally knowledgeable and capable prompts the agents to perform tasks that they otherwise would not. Specifically, the pace at which an investor buys and sells bonds seems to be greatly impacted, and the more

overconfident an operator is, the more he will buy and sell on the market. Barber and Odean (2001) showed that the presence of overconfidence in financial markets lead investors to make unprofitable trading.

2.2 Empirical Review

Aziz and Khan (2016) examined behavioral factors influencing individual investor's investment decision and performance, evidence from Pakistan stock exchange. The objective of the research is to investigate the behavioral elements that affect each individual investor's choice and performance on the Pakistan Stock Exchange. Numerous behavioral characteristics, including as mental accounting, overconfidence, representativeness, anchoring, loss aversion, and regret aversion, might influence an individual investor's performance and choice of investments. Primary data served as the foundation for this study. 150 individual Pakistani stock exchange investors make up the sample data. According to the preliminary findings, there is a strong positive correlation between heuristics and investment performance, although prospects have no effect on it. With the use of statistics SPSS, regression analysis is used to create findings. The results indicate that factors such as availability bias, anchoring, gambler's fallacy, overconfidence, representativeness, and availability bias all improve investment success.

Javed and Marghoob (2017) examined the effects of behavioural factors in investment decision making at Pakistan stock exchanges. The purpose of the current study is to ascertain how individual investors and institutional managers in Pakistan's stock markets are affected by behavioral factors such market factors, overconfidence factors, prospect factors, anchoring factors, and behavioral factors. Descriptive statistics, reliability, regression, and correlation analysis were all used in this study. The prospect factor includes three variables mental accounting, regret aversion, and loss aversion that have a big influence on investing decision-making. The factor that influences investors' decisions the most is loss aversion; as a result, after a win, investors typically seek out greater risk, and after a loss, they typically become more risk averse. Individual investors at the Pakistan Stock Exchange should only be overconfident to an appropriate degree in order to use their abilities and expertise to enhance investment outcomes, since overconfidence has a beneficial influence on investment decisions. Overconfidence may help investors accomplish challenging

tasks and predict future trends in uncertain times, but it must be utilized wisely and appropriately.

Subramaniam and Velnampy (2017) analyzed the role of behavioural factors in the investment decisions of household investors. The objective of this research is to determine which behavioral finance-related variables affect household investors' investment choices in Sri Lanka's Northern Province. 1810 household investors in Sri Lanka's Northern Province provided the essential data for the study, and a proportionate stratified random selection technique was used to choose the sample respondents. The data are analyzed using confirmatory factor analysis and exploratory factor analysis as analytical techniques. The current study came to the conclusion that household investors' investment decisions are influenced by representativeness, overconfidence, availability, regret, loss, and aversion biases, among others.

Sashikala and Chitramani (2018) investigated the impact of behavioural factors on investment intention of equity investors. The objective of this research was to determine which behavioral finance-related variables affect household investors' investment choices in Sri Lanka's Northern Province. 1810 household investors in Sri Lanka's Northern Province provided the essential data for the study, and a proportionate stratified random selection technique was used to choose the sample respondents. The data are analyzed using confirmatory factor analysis and exploratory factor analysis as analytical techniques. The current study came to the conclusion that household investors' investment decisions are influenced by representativeness, overconfidence, availability, regret, loss, and aversion biases, among others. Heuristics and market conditions, among other things, had no discernible impact on short-term investing intentions. Conversely, the results of the regression analysis indicate that long-term investing intention is significantly influenced by prospect and market conditions.

Keswani et al. (2019) examined impact of behavioral factors in making investment decisions and performance: study on investors of National stock exchange. The primary objective of this research is to determine how the four factors heuristic, prospect, market, and herding affect investors' choices at the NSE. A likert scale is used to collect data from the questionnaire. The questionnaire's reliability is assessed

using the Cronbach alpha factor, which is at 0.728. Multiple regression analysis and EFA have been used. To evaluate the element's internal consistency, utilize Cronbach-alpha. Each factor heuristic, prospect, market, herding, investment performance, and investor judgments that are consistent at a reasonable level—was highlighted by Cronbach's alpha coefficient. The result of the study is that the four factors had a significant impact on both the choice of investment and the rate of return. Investors' decision-making process is greatly influenced by all behavioral variables, which led to the adoption of all presumptions about the degree to which behavioral elements influence individual investors' decision-making.

Adhikari (2020) examined factors influencing investment decisions of individual investors at Nepal stock exchange. Assessing the variables influencing individual investors' decisions to make investments on the Nepal Stock Exchange is the primary goal of the analysis. Using a random sample technique, the analysis is done on the 214 responses that the individual investors sent in. A structured questionnaire is provided to the respondents in order to collect data for the research. There were thirty-five items on the survey. Individual investors make up the responders. Frequencies, mean scores, standard deviations, percentages, and factor analysis approaches are used in this study's data analysis. The research validates that there seems to be some degree of correlation between the characteristics that behavioral finance theory defines for the typical equities investor and previous empirical data. The researcher investigates which are the most important factors influencing individual investment decisions: government statements, anticipated capital increases, the company's industry standing, diversification goals, appeal of non-stock investments, ease of borrowing funds, opinions of the majority shareholders of the company, opinions of family members, recent price movement in the company's stock, stock index fluctuations, rumors, expected corporate earnings, stock marketability, results of technical analysis, dividend paid, perceived ethics of the company, reputation of the company's shareholders, and sentiment towards the company's goods and services.

Rajeshwaran (2020) analyzed performance of CSE investors in eastern province of Sri Lanka. The main objectives of this research are to characterize the investment behaviors of CSE investors in Sri Lanka's Eastern Province and investigate the effects of these behaviors on the investors' investment returns. A cross-sectional temporal

horizon is employed in the survey approach for data collection. 374 CSE investors in the province have completed questionnaires that are used to gather data. Multiple regression, correlation, mean, and standard deviation are used. The investment performance and all four behavioral characteristics have declined to moderate levels, according to the results. Heuristic variables state that investors depend on their experience, expertise, and competence. According to the Prospect variables, most investors steer clear of losses and regrets while making stock investments. Aside from market factors, investors moderately analyze the firms' client preferences while paying close attention to variations in stock prices. Consistent with the Herding variable, investors imitate the investment decisions of others. Other variables, such as prospect, market, and herding variables, have a negative relationship with investment success, whereas heuristic variables have a positive relationship.

Baral and Pokharel (2020) investigated behavioral factors and investment decision: a case of Nepal. The primary objective of this research is to investigate the beliefs and actions of investors in the Nepalese stock market. This study, which draws from a large body of literature, employs the four independent variables of heuristic, prospect, market, and herding as well as the dependent variable of Nepal Stock Exchange investment success. Based on primary data gathered from 120 respondents who have invested in shares of NEPSE-listed businesses, this study is an empirical investigation. The market element significantly impacted the performance of the investments, according to the correlation study results. The results of the study imply that there is no meaningful correlation between investment performance and heuristics (such as anchoring, representative, overconfidence, availability bias, and gamble's fallacy), herding (buying and selling, volume of trading stocks, speed of herding), and prospect (loss aversion, regret aversion, and mental accounting).

Elhussein and Abdelgadir (2020) examined behavioral bias in individual investment decisions: is it a common phenomenon in stock markets? The aim of this study is to look into the behavioral aspects of the Sudanese Stock Exchange Market, a stock market in a developing nation, that affect investors' decisions to make individual investments. The research utilizes a cross-sectional survey design in conjunction with analytical techniques to gather the required data and determine the correlation between the variables under investigation. A systematic questionnaire is utilized to

gather data from 203 individual investors, and correlation and regression analysis are applied to the results. Regardless of the stock market's level of development, behavioral biases are evident in the decision-making process behind individual investments, as demonstrated by the paper's findings. The analysis shows that market and heuristic variables are important when it comes to individual decision-making on the Khartoum Stock Exchange. Representativeness, overconfidence, anchoring, historical stock cost, customer preferences, loss aversion, mental accounting, trading volume of other investors, and prompt response to shifts in other investors' decisions are some of the factors that significantly influence an individual investor's decision-making process. The choices and decisions made by other investors, availability bias, fluctuations in stock prices, and regret aversion are among the factors that have a negligible effect.

Silwal and Bajracharya (2021) investigated behavioral factors influencing stock investment decision of individuals. The aim of the study 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, is used in this work. To test the hypothesis, structural equation modeling is also utilized. According to this study, there is a negative link between investment performance and prospect behavioral factors. It is discovered that there is a positive association between investment performance and herding, market characteristics, and heuristics (such as anchoring bias and overconfidence). This study offers strong proof that heuristic methods and herding enhance investment performance.

Ongeta (2021) examined the controlling effect of investment decisions on the behavioral factors influencing investment performance of individual investors in Nairobi Security Exchange. The main purpose of this study is to examine the ways in which investment decisions impact the behavioral elements that affect the success of individual investors' investments on the Nairobi Securities Exchange. The researchers postulated that the relationship between the investment performance of individual investors in the Nairobi Securities Exchange and the following behavioral factors—herding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence)—is not significantly influenced by

investment decisions. In order to reach 1,196,995 individual investors on the Nairobi Securities Exchange, the investigator employed a survey study design. The highest limit of 500 individual investors on the Nairobi Securities Exchange is chosen by the researcher, and the 400 sample size of a population is estimated using the Slovin's approach. There is a systematic questionnaire used to collect primary data. The study demonstrates that the relationship between the investment performance of individual investors in the Nairobi Securities Exchange and the following behavioral factors herding, prospect (loss aversion, regret aversion, and escalating the commitment), heuristic (availability bias and overconfidence) was not significantly controlled by the investment decision.

Kunwar (2021) analyzed the relationship of behavioral factors with investment performance of individual investors in the Nepali stock market. The study aims to investigate the comprehension of the behavioral biases exhibited by individual investors in the Nepal Stock Exchange and to conduct an empirical analysis of the impact of behavioral variables on investment success. To find a relationship between investor performance and the factor scores that represent the heuristics, prospects, market, and herding effect as independent variables, correlation analysis is carried out. The findings show that individual investors in Nepal exhibit behavioral biases related to heuristics, prospects, market factors, and herding effect. Heuristics and market factors are among the factors that are discovered to have an impact on investors' investing performance. It is discovered that the heuristic behaviors have the strongest and most favorable impact on the success of investments. Ultimately, the findings show that investors do not fare better when they follow the herd in the market and with prospects. The results can be used to better understand how investor behavior affects the stock market and to formulate suitable rules that reduce the likelihood that behavioral biases would have a negative impact on the market.

Gyawali and Neupane (2021) analyzed individual investors psychology and investment decision in NEPSE. This study examines the psychology of individual investors and their NEPSE investing decisions with the goal of identifying whether individual psychological factors and their biases effect decision making in the Nepalese stock market. A sample of 347 people was selected for this study from the Butwal City broker office. Psychological factors include herding, anchoring, mental

accounting, overconfidence, regret aversion, and loss aversion. These elements are further divided into emotional bias (overconfidence, regret aversion, and loss aversion) and cognitive bias (anchoring, herding, and mental accounting). To gather data, self-administered questionnaires are employed. Analytical and descriptive research designs are also employed to analyze the data. The results of multiple regression analysis indicate that while anchoring, mental accounting, and regret aversion had no effect on an individual investor's investment choice, overconfidence, herding, and loss aversion did. The outcome also demonstrates that both cognitive and affective biases have a favorable and noteworthy impact on an individual investor's decision to invest in the Nepalese stock exchange.

Cao et al. (2021) examined behavioral factors on individual investors' decision making and investment performance: a survey from the Vietnam stock market. The purpose of this study is to shed light on how financial behavior and investment decisions are related, as well as how these decisions affect investment outcomes. Analyze the impact of behavioral factors on the stock market performance and investing decisions of individual investors in Vietnam. 250 investors were polled for the study. Confirmatory factor analysis (CFA), structural equation modeling (SEM), and exploratory factor analysis (EFA) are the three primary analytical techniques used. According to research findings, investing decision-making is directly and favorably impacted by heuristics, prospects, markets, and herding. Additionally, the aforementioned elements directly and favorably impact the success of investments. The prospect element, in particular, has the most impact on the choice and performance of investments. The study's main conclusions point to the significance of heuristics, prospects, markets, and herding in influencing investment performance and decision-making. The most significant influence on investment decision-making comes from prospects ($\beta = 0.275$). The effect of heuristic was the second highest at $\beta = 0.257$, followed by herding at $\beta = 0.202$, and market at $\beta = 0.189$, which had the least influence. The prospect factor has a greater influence on investment performance than the market and heuristic herding.

Karmacharya et al. (2022) investigated effect of perceived behavioral factors on investors' investment decisions in stocks: evidence from Nepal Stock Market. This study investigates if the performance of the Nepal Stock Exchange (NEPSE) is

influenced by perceived behavioral characteristics that influence the decisions made by particular investors. The study's 350 randomly selected samples, which were acquired from various brokerage businesses in 2018, were limited to five major cities. Market, heuristic, and herding factors are the four behavioral variables that have the biggest effects on investment performance, according to a structural model study of the data. According to this report, investors are becoming more and more reliant on market sentiment and information. According to research findings, in order to profit from the market, investors need take into account both the stock's fundamentals and their own behavior.

Sapkota (2022) analyzed behavioural finance and stock investment decisions. This study investigated the influence of behavioral finance on master's level students in the Chitwan district's stock investment decisions due to a lack of pertinent research. This study is based on a quantitative research approach and employs an analytical research design. The study's sample included 284 students, with a usable response rate of 60.21 percent. This study makes use of reliability analysis, descriptive statistics, and multiple regression analysis. Based on research, investors' decisions to buy stocks are significantly influenced by risk inclination, overconfidence, loss aversion, and herd mentality. Ultimately, this study came to the conclusion that students' stock investing decisions are greatly influenced by behavioral finance. When making investment decisions, investors should be fully aware of the financial behavior biases that help them make better decisions. Additionally, investors should be aware of their risk propensity, which will help them recognize their fears and feelings of anxiety and uncertainty around potential risks when choosing stocks.

Dhungana et al. (2022) investigated effect of cognitive biases on investment decision making: A case of Pokhara Valley, Nepal. The purpose of this study is to investigate how cognitive biases affect investment choices in Nepal's Pokhara Valley. The impact of five cognitive biases on logical investment decision-making is assessed, including regret aversion, overconfidence, availability, anchoring, and herd instinct. The Pokhara Valley is home to seven brokerage companies, and 179 respondents who invest in the stock market were chosen by the researchers. To analyze the data, both descriptive and inferential analyses are performed. The study found no relationship between regret aversion and anchoring biases and irrational investment decisions;

nevertheless, there is a correlation between irrationality in financial decision making and availability, overconfidence, and herding instinct biases. Overconfidence bias, however, has the most influence, even if all the biases have a positive correlation with irrational investing decisions. Among the four biases, regret aversion bias had the least effect on investing choices.

Septian et al. (2022) investigated impact of behavioral factors among Indonesian individual investor towards investment decisions during Covid-19 pandemic. Analyzing the influence of behavioral factors on investment decisions made by Indonesian individual investors is the primary goal of the study. The foundation of behavioral finance theory is covered in the first section of this study, after which the hypothesis is investigated through the collecting of questionnaires from 295 respondents. The structural equation model (CB-SEM) is used to analyze data, and LISREL 8.80 software is utilized for this purpose. The findings show that, during the COVID-19 epidemic in Indonesia, heuristic and market behavioral bias have a beneficial impact on individual investors' investment decisions, but behavioral bias components like prospects and herding have a negative impact.

Sapkota and Chalise (2023) assessed investors' behavior and equity investment decision: an evidence from Nepal. This study examined the influence of investors' behavior on equity investment decisions based on quantitative research philosophy and utilized descriptive cum analytical research design. The sample comprised 400 individual investors drawn from the top 10 brokerage firms; 40 of these individuals made equity investment decisions in the Nepalese stock market based on a first-come, first-served basis and were willing to complete the survey. Data was collected from 293 respondents using a self-administered, closed-end, structured questionnaire with a 5-point Likert type. Two instances of descriptive and inferential statistics that were employed in the data analysis multiple regression analysis and the correlation coefficient. This study found that neutral information, accounting information and self-image had significant positive impact on equity investment decision. Likewise, advocate recommendation and personal financial needs had significant positive impact on investment decision. However, gender is not an influencing factor.

Dhakal and Lamsal (2023) assessed impact of cognitive biases on investment decisions of investors in Nepal. The primary approach of data collection in this study to evaluate how cognitive biases affect Nepalese stock market participants' investing decisions was a self-administered questionnaire. Using information from a sample of 234 respondents, the study investigates the effects of six cognitive biases: overconfidence bias, herding bias, representativeness bias, anchoring bias, loss-aversion bias, and confirmation bias. The study used both descriptive and inferential statistical tools to analyze the data. The results showed that a sizable fraction of respondents showed signs of high or moderate prejudice, indicating that this is a worrying problem. Additionally, the study discovered that the biases of anchoring and herding had a lesser influence on investing decision-making than representativeness bias. These findings imply that cognitive biases may negatively impact Nepalese investors' investing decisions and may also have an adverse effect on their investment returns. The report advises investors to be conscious of these biases and take action to lessen their influence while making decisions.

Nepal and Gyawali (2023) examined behavioral biases and portfolio strategies: analyzing the impact on investor decision making in the Nepalese stock market. This study investigated how demographic factors affected Nepalese portfolio investors' behavioral biases during the decision-making process. This study examined five typical biases, including overconfidence, anchoring, herding, loss aversion, and hindsight, as well as the link between age, gender, and experience. Numerous statistical methods and tools were employed in this work, such as the weighted scoring system, discriminant analysis, descriptive analysis, and chi-square test for independence. This study showed that demographic characteristics play a role in the prevalence of these biases, with female investors demonstrating more overconfidence and anchoring biases, while male investors displayed loss aversion, herding, and hindsight biases. More seasoned investors showed stronger overconfidence in their ability to analyze data, whereas younger investors were more likely to be overconfident and prone to loss aversion. This study offers critical insight into the significance of taking demographic aspects into account when tackling biases in investing decision-making. It is important to remember that the sample location and responses could not be entirely representative.

Anwar et al. (2023) investigated the behavioural bias in investment decisions: moderate role of self-control. This study aimed to analyze the effect of loss aversion and mental accounting on investment decisions and the role of self-control as a moderating variable on the effect of loss aversion and mental accounting on investment decisions. The research sample was 137 Small and Medium Footwear Industries in Mojokerto City. The sampling technique was probability sampling. Thus, this research used simple random sampling. The respondents of this research were the owners or managers of Small and Medium Industries (SMIs). The primary data was obtained directly from respondents' answers to questionnaire statements. The data analysis method was Structural Equation Model-Partial Least Square (SEM-PLS). The results showed that: First, loss aversion and mental accounting have a significant positive effect on investment decisions. Second, self-control is not moderate the effect of loss aversion on investment decisions but moderates the effect of mental accounting on investment decisions. Psychomotor aspects of mental accounting from owners or managers of SMIs are realizing that the existing accounts receivable is the primary source of income for the business.

Gurung et al. (2024) investigated unraveling behavioral biases in decision making: a study of Nepalese investors. The main purpose of the study was to evaluate the effect of behavioral biases on investment decisions made by Nepalese investors, or people in general who trade actively in the nation's stock market. The response variable was investment decisions, and the explanatory variables included overconfidence, representative, anchoring, regret aversion, and herding biases. A structured questionnaire containing 379 observations was used in the study to establish correlations using a linear regression model. This study revealed that regret aversion, anchoring, and overconfidence biases had significant effects on Nepalese investors' investment choices. However, there was no discernible relationship between herding behavior and investment choices, nor was representational bias a factor in any investment decisions. Consequently, research suggests that behavioral biases have a greater impact on individual investment decisions in the Nepalese financial market.

Table 1*Summary of Empirical Review*

S. N.	Authors	Title	Methodology	Dep./Indep. Variables	Major Findings
1	Aziz and Khan (2016)	Behavioral factors influencing individual investor's investment decision and performance, Evidence from Pakistan Stock Exchange.	This study employed regression analysis to analyze the data with the usage of statistical SPSS	Dep. = Investment Performance Indep. = Heuristic theory (Over confidence, representativeness, anchoring, gambler's fallacy and availability bias) and Prospect theory (Loss aversion, regret aversion and mental accounting).	i. The result found that a positive relation of heuristics on the investment performance. ii. Prospect had no affect the investment performance. iii. The representativeness, over confidence; anchoring, availability bias, and gamblers fallacy had positive impact on investment performance.
2	Javed and Marghoub (2017)	The effects of behavioural factors in investment decision making at Pakistan stock exchanges.	The current study practiced descriptive statistics, reliability, regression and correlation analysis.	Dep. = Investor Decision Indep. = Behavioural factors, prospect, market, overconfidence and anchoring factors.	i. The result found that prospect factor possesses four variables that had significant impacts on the investment decision making: loss aversion, regret aversion, and mental accounting. ii. Loss aversion ranks as the variable having the highest impact on the decision making of the investors. iii. Since overconfidence had positive impacts on the investment decision.
3	Subramaniam and Velnampy (2017)	The role of behavioural factors in the investment decisions of household investors.	The data are analyzed using confirmatory factor analysis and exploratory factor analysis as analytical techniques	Dep. = Investment Decision Indep. = Representativeness, overconfidence, availability bias, loss aversion, risk aversion and herding.	i. This study revealed that representativeness, overconfidence, availability bias had significant effect on investment decision. ii. Moreover, loss aversion, risk aversion and herding had significant impact on investment decisions of household investors.
4	Sashikala and Chitramani (2018)	The impact of behavioural factors on investment intention of equity investors.	The study used descriptive statistics and regression for analyzing the data.	Dep. = Investment Decision Indep. = heuristic, prospect, Herding and market factors.	i. This study found that prospect factors and herding factors were the strongest predictors of variations in short term investment intention. ii. The other factors namely, heuristics and market factors did not have a significant effect on short term investment intentions.

				iii. On the other hand, the regression findings found that prospect factors. iv. Market factors had a great impact on long term investment intention. i. This study found that heuristic and prospect variables had significant positive effect on investment decision. ii. Likewise, herding and market variables had significant positive effect on investment decision.
5	Keswani et al. (2019)	Impact of behavioral factors in making investment decisions and performance: Study on investors of National stock exchange.	Multiple regression analysis and EFA have been used.	Dep. = Investment Decision Indep. = heuristic variables, prospect variables, Herding variables and market variables.
6	Adhikari (2020)	Factors influencing investment decisions of individual investors at Nepal stock exchange.	In this study, data were analyzed using frequencies, mean scores, standard deviations, percentages, and factor analysis techniques.	Dep. = Investment Decision Indep. = Accounting information, self-image/firm image coincidence, advocate recommendation, personal financial needs and neutral information. i. This study found that accounting information was the most significant factors on individual investment decisions. ii. Self-image/firm image, advocate information and Neutral information are the second, third and fourth factors respectively that influence individual investors investment decisions. iii. Finally, personal financing needs was the last influencing factors.
7	Rajeshwaran (2020)	Performance of CSE investors in eastern province of Sri Lanka.	Mean, standard deviation, correlation and multiple regression were applied.	Dep. = Investment Performance Indep. = Herding, prospect, heuristic and market factors. i. Results showed that all four behavioural factors and investment performance had fallen to moderate levels. ii. Heuristic variables were positively related with investment performance. iii. Other variables namely prospect variables, market variables and Herding variables are negatively related with investment performance.
8	Baral and Pokharel (2020)	Behavioral factors and investment decision: A case of Nepal.	Correlation analyses were used to analyze the data.	Dep. = Investment Performance Indep. = Herding, prospect, heuristic and market factors. i. This study showed that market factor had significant impact on the investment performance. ii. The findings of the study suggested that heuristic had no significant relationship with investment performance. iii. Herding variables had no

					significant relationship with investment performance.
					iv. Moreover, prospect (loss aversion, regret aversion, and mental accounting) had no significant relationship with investment performance.
9	Elhussein and Abdelgadir (2020)	Behavioral bias in individual investment decisions: Is it a common phenomenon in stock markets?	Correlation and Regression methods are used to conduct the analysis	Dep. = Investment Decision Indep. = Herding, prospect, heuristic and market factors.	i. The study demonstrated that heuristic and market factors played a dominant role in the process of individual decision making in the Khartoum Stock Exchange. ii. The factors that had a significant impact on individual investment decision making process include representativeness, overconfidence, anchoring, historical cost of stock, customer preferences. iii. In addition, loss aversion, mental accounting, other investors' trading volume, and quick reaction had significant impact on investors decision.
10	Silwal and Bajracharya (2021)	Behavioral factors influencing stock investment decision of individuals.	The study employed exploratory and confirmatory factor analysis. In addition, structural equation modeling is applied for the testing of the hypotheses.	Dep. = Investment Decision Indep. = Herding, prospect, heuristic and market factors.	i. This study found that prospect behavioral factor was seen to have negative correlation to investment performance. ii. Herding and market variables were found to have positive correlation to investment performance. iii. Heuristic (including overconfidence and anchoring bias) had positive correlation to investment performance.
11	Ongeta (2021)	The controlling effect of investment decisions on the behavioral factors influencing investment performance of individual investors in	This study used multiple regression analysis to analyze the data.	Dep. = Investment performance Indep. = Herding, prospect and heuristic factors.	i. This study found that herding factor had significant negative impact on investment performance. ii. Prospect factor had significant positive impact on interment performance. iii. Finally, heuristic factors had significant positive impact on investment performance of the individual investors in Nairobi

		Nairobi Security Exchange.			Securities Exchange.
12	Kunwar (2021)	The relationship of behavioral factors with investment performance of individual investors in the Nepali stock market.	The correlation analysis was conducted to identify an association of investor performance	Dep. = Investment Decision Indep. = Herding, prospect, heuristic and market factors.	i. The results revealed that behavioral biases like heuristics, prospects, market factor and herding effect were present among individual investors in Nepal. ii. Among the factors, the investment performance of investors was found to be influenced by heuristics and market factors. iii. The heuristic behaviors were found to have the highest and positive influence on the investment performance.
13	Gyawali and Neupane (2021)	Individual investors psychology and investment decision in NEPSE.	Descriptive and multiple regression analysis were used to analyze the data	Dep. = Investment Decision Indep. = Overconfidence, herding, anchoring, regret aversion, mental accounting and loss aversion.	i. This study showed that overconfidence, herding and loss aversion had impact on investment decision. ii. Anchoring, mental accounting and regret aversion did not have an impact on individual investors investment decision. iii. The result further showed that cognitive and emotion biases both had positive and significant influence on the investment decision of investor in Nepalese stock exchange.
14	Cao et al. (2021)	This study aimed to clarify the relationship between financial behavior and investment decisions as well as its impact on investment results.	The main analytical methods used are Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM).	Dep. = Investment Decision Making Indep. = Herding, prospect, heuristic and market factors.	i. Research results showed that heuristic, prospect, market, and herding directly and positively affect investment decision-making. ii. Besides, the above factors had a direct and positive effect on investment performance. iii. In particular, the Prospect factor had the strongest influence on investment decision-making and investment performance.
15	Karmacharya et al. (2022)	Effect of perceived behavioral factors on	The statistical techniques used are	Dep. = Investment Performance Indep. = Herding, prospect, heuristic	i. This study showed that prospect variable had insignificant negative impact on investment performance.

		investors' investment decisions in stocks: Evidence from Nepal Stock Market.	descriptive, confirmatory factor analysis, and structural equation modeling.	and market factors.	ii. However, market, heuristic, and herding factors have significant effects on investment performance.
16	Sapkota (2022)	Behavioural finance and stock investment decisions.	This study used descriptive statistic and multiple regression analysis to analyze the data.	Dep. = Stock Investment Decision Indep. = Herding, loss aversion, overconfidence and risk propensity.	iii. This study observes more reliance and dependence of investors on market information and sentiments. i. This study found herding factors and loss aversion had significant positive effect on stock investment decision. ii. Further, overconfidence and risk propensity had significant positive impact on stock investment decisions.
17	Dhungana et al. (2022)	Effect of cognitive biases on investment decision making: A case of Pokhara Valley, Nepal.	Both descriptive and inferential analyses were made to analyze the data.	Dep. = Investment Decision Indep. = Availability bias, anchoring bias, overconfidence, herd instinct, and regret aversion. .	i. The study discovered a link between irrationality in financial decision making and availability, overconfidence, and herds instinct biases, but anchoring and regret aversion biases had no effect on irrational investment decisions. ii. However, though all the biases had a positive relationship with an irrational investment decision. iii. Moreover, overconfidence bias had the highest impact.
18	Septian et al. (2022)	Impact of behavioral factors among Indonesian individual investor towards investment decisions during Covid-19 pandemic.	Data were analyzed using a structural equation model (CB-SEM) with the help of LISREL 8.80 software.	Dep. = Investment Decision Indep. = Heuristic, prospect, herding and market factors.	i. The results found that heuristic bias had a positive influence on investors' investment decisions. ii. Likewise, market bias had a positive influence on investors' investment decisions. iii. Moreover, behavioral bias factors such as prospects and herding negatively influence individual investors' investment decisions during the COVID-19 pandemic in Indonesia.
19	Sapkota and Chalise (2023)	Investors' behavior and equity investment decision: An evidence from Nepal.	Two instances of descriptive and inferential statistics that were employed	Dep. = Investment Decision Indep. = Neutral information, accounting information and self-image, advocate recommendation,	i. This study found that neutral information, accounting information and self-image had significant positive impact on equity investment decision. ii. Likewise, advocate recommendation and personal

			in the data analysis multiple regression analysis and the correlation coefficient	personal financial needs and gender.	financial needs had significant positive impact on investment decision. iii. However, gender is not an influencing factor.
20	Dhakal and Lamsal (2023)	Impact of cognitive biases on investment decisions of investors in Nepal.	This study evaluated how cognitive biases affect Nepalese stock market participants' investing decisions was a self-administered questionnaire.	Dep. = Investment Decision Indep. = Overconfidence bias, herding bias, representativeness bias, anchoring bias, loss aversion bias and confirmation bias.	i. The results showed that a sizable fraction of respondents showed signs of high or moderate prejudice, indicating that this is a worrying problem. ii. the study discovered that the biases of anchoring and herding had a lesser influence on investing decision-making than representativeness bias.
21	Nepal and Gyawali (2023)	Behavioral biases and portfolio strategies: Analyzing the impact on investor decision making in the Nepalese stock market.	This study investigated how demographic factors affected Nepalese portfolio investors' behavioral biases during the decision-making process.	Dep. = Investment Decision Indep. = Overconfidence bias, loss aversion bias, anchoring bias, hindsight bias, herding bias.	i. This study showed that demographic characteristics play a role in the prevalence of these biases, with female investors demonstrating more overconfidence. ii. Anchoring biases, while male investors displayed loss aversion, herding, and hindsight biases.
22	Anwar et al. (2023)	Behavioural bias in investment decisions: Moderate role of self-control.	This study aimed to analyze the effect of loss aversion and mental accounting on investment decisions	Dep. = Investment Decision Indep. = Loss aversion, mental accounting and self-control	i. The results showed that loss aversion and mental accounting have a significant positive effect on investment decisions. ii. Self-control is not moderate the effect of loss aversion on investment decisions but moderates the effect of mental accounting on investment decisions.
23	Gurung et al. (2024)	Unraveling behavioral biases in	A structured questionnaire	Dep. = Investment Decision Indep. = Regret	i. The study found that among Nepalese investors, regret aversion, anchoring, and

decision making: A study of Nepalese investors.	e containing 379 observations was used in the study to establish correlations using a linear regression model	aversion, anchoring, and overconfidence biases, representative bias and herding.	overconfidence biases significantly influenced their investing decisions. ii. On the other hand, herding behavior did not significantly correlate with investment decisions. iii. Moreover, the effects of representational bias had no impact on investment decisions.
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2.3 Research Gap

Numerous important conclusions for the examination were obtained from the literature, including theoretical positions that have been used to the study of investment decisions and empirical support for the indicators of the variables. However, a number of knowledge gaps are shown, which the research made an effort to try to fill. First, it is evident that previous research has also taken a wide approach, examining components that are classified as behavioral and economic rather than focusing on a single, discrete issue. Not only that, but earlier studies concentrated on behavioral variables in general, whereas this study explicitly tested behavioral components in each of their sub classifications. Because of differences in culture, environment, investment types, and research gaps due to incomplete understanding and limited categories of characteristics, research conducted in one country may not apply to another. However, while earlier research focused on certain variables, this study focuses more on behavioral issues. Consequently, the aforementioned gaps required to be filled by this investigation. Moreover, the available studies have not also employed inferential statistics to understand link between investment decisions and behavioral factors identified. It is against this background that the proposed study aims to investigate how behavior factors influence investment decisions in equity stock at the Nepal stock exchange among Nepalese retail stock investors.

CHAPTER III

RESEARCH METHODOLOGY

The systematic approach of solving an issue by systematic information gathering, recording, analysis, interpretation, and reporting regarding the various aspects of a phenomenon under study is known as research methodology. The procedures and methods used throughout every part of the investigation are described in the research methodology of this work. This chapter describes research design, population and sample, and sampling design, nature and sources of data, method of analysis and research framework and definition of variables.

3.1 Research Design

This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the behavioral biases of stock investment decisions of Nepalese investors. This study adopts descriptive research design to analyze the behavioral biases characteristics and status which can help take investment decision in Nepalese stock market. Causal research design is used to find the cause and effect of behavioral biases on investment decision of investors.

3.2 Population and Sample, and Sampling Design

Sample is defined as a smaller representation of a larger whole, whereas sampling is defined as the process of selecting a subset of randomized number of the members of population of the study. As for this present study, since all the investors of different companies listed in NEPSE such as commercial banks, development banks, finance, insurance, manufacturing, hydropower and other are considered are the population. All together 600 questionnaires are distributed and out of them, 465 collected but only 400 questionnaires are valid. So, the sample size is 400 potential investors are taken using purposive sampling methods to extract required information.

3.3 Nature and Sources of Data, and Instruments of Data Collection

The primary data are used to extract the information from the investors regarding the behavioral bias and its impact on investment decision of investors in Nepalese stock market. Structured set of 5 point likert Scale questionnaires are distributed to the

investors through hand to hand and Google (form) survey method through email, website (link) and social media.

3.4 Method of Analysis

Several statistical techniques are used in the research. The following subsections discuss the statistical instruments that were employed in this write-what statistical study to evaluate the data findings:

Mean

The arithmetic mean of a range of values or quantities is the mean, which is calculated by dividing the total number of values by the number of values. It makes reference to the average that is looked at or used to ascertain the central tendency of the data. The arithmetic mean is a commonly used and simple to understand measure of central tendency. Add together all the data points for the population and divide the total by the number point to find it. In this study, the average of the respondents' responses to the several variables in the Likert scale question is calculated using the mean. The mean value of the responses to the Likert scale question is calculated for each sample.

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

$\sum X$ = Value of responses of each independent or dependent variable

n = No. of statements

Standard Deviation

The degree to which a set of data values fluctuate or are distributed can be expressed using the standard deviation, which measures dispersion. One way to put it is the variance expressed as the positive square root. The fact that the standard deviation has the same units of measurement as the data—a useful distinction from variance—is one of its features. If the data points diverge more from the mean, there is a greater deviation within the data set. As a result, when data dispersion grows, so does the standard deviation. Based on the responses on the Likert scale, the standard deviation is calculated for every sample in this investigation.

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

Where,

X = Value of responses of each dependent or independent variable

$\bar{X}$ = Mean value of responses of each dependent or independent variable

n = No. of responses

Variance

The difference in numbers within a collection of data is measured as variance. Each number in the set's variance indicates how far it deviates from the mean. The difference between each value in the set and the mean is taken, the differences are squared, and the sum of the squares is divided by the total number of values in the set to determine the variance. Variance for the Likert scale responses given for each sample in this study is computed. A statistical measure of how much a set of observations differs from one another is called variance. Since variance quantifies the variability from an average or mean, it is utilized in statistics for probability distribution.

ANOVA

ANOVA, or analysis of variance, is a series of statistical models and the corresponding estimate techniques that are used to examine how group averages in a sample differ from one another. ANOVA is used to examine overall differences in means as opposed to particular ones. This method evaluates possible variations in a dependent variable at the scale level using a nominal variable with two or more categories. In its most basic version, an ANOVA expands the scope of the t-test to include more than two groups and offers a statistical test to determine if the population means of many groups are equal. When comparing the means of three or more groups for statistical significance, an ANOVA is helpful. In theory, it is comparable to several two-sample t-tests. The Fisher analysis of variance is another name for this test.

Correlation Coefficient (r)

The relationship between an independent variable and another dependent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value. To determine the degree of relationship between independent and dependent variables for each sample in this study, correlation is computed for the responses given on a Likert scale.

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

Where,

X = Value of independent variable

Y = Value of dependent variable

n = Number of responses

t- Statistics

It is used in hypothesis testing via Student's t-test. The t-statistic is used in a t-test to determine whether to support or reject the null hypothesis. Set up Hypothesis

Null hypothesis (H_0); $\rho = 0$ i.e. There is no correlation between the considered variables.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. There is significant correlation between the considered variables.

Test statistic under H_0 ;

$$t_{\text{cal.}} = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where,

r = Sample correlation between two variables

r^2 = Coefficient Determination

n = No of Pair of observations

Level of significance: Level of significance $\alpha = 5$ percent

Critical Value: Tabulated or critical value of t at α percent level of significance for (n - 2) degree of freedom obtain from 't' tables.

Decision

- i. If calculated 't' is less than or equal to tabulated value of 't' it falls in the accepted region and the null hypothesis is accepted and if calculated 't' is greater than tabulated 't' null hypothesis is rejected.
- ii. If p-value calculated is less than the level of significance i.e. 5 percent, null hypothesis is rejected and if p-value calculated is higher than the level of significance i.e. 5 percent, null hypothesis accepted.

Regression

One statistical tool used to assess the strength of a link between one dependent variable and one or more independent variables is regression. It covers a wide range of methods for modeling and examining several variables in order to determine how they relate to one another. Regression analysis is used in this study to determine the direction of the association between the independent and dependent variables for each sample based on Likert scale responses. The performance of investment decisions (the dependent variable) is compared to the explanatory variables using regression analysis. The theoretical model for the relationship is formulated as equation below:

$$ID = \beta_0 + \beta_1 HF + \beta_2 PF + \beta_3 MF + \beta_4 HF + \varepsilon$$

Where,

ID= Investment Decision Performance

HF= Heuristic Factors

PF= Prospect Factors

MF = Market Factors

HDF = Herding Factors

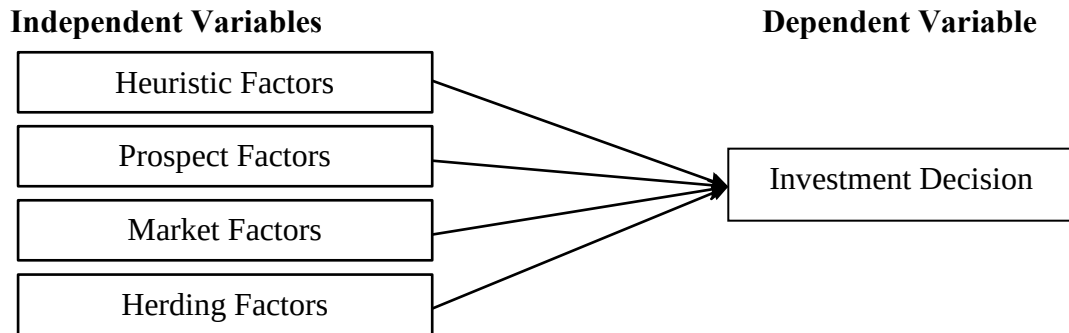
β_0 = The intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient of variables

ε = Error term.

3.5 Theoretical Framework

From the theoretical and empirical literature reviews, the following research framework of the study is developed by the researcher.

Figure 1*Research Framework of the Study*

Source: Silwal, and Bajracharya (2021; Pokharel and Baral (2020); Ong'eta (2021) and Karmacharya et al. (2022)

Independent Variables

Heuristics Factors

Heuristics are the fundamental guidelines that deal with carrying out actions in accordance with the process of making the right decisions, particularly in complicated and uncertain scenarios by reducing the complexity of a particular operation and by employing various probabilities with respect to forecasting values. Although this theory can lead to biases, it is appropriate in situations when time is restricted (Waweru et al., 2008). Heuristics include overconfidence, availability bias, anchoring, and the Gambler's fallacy (Pokharel & Baral, 2020; Karmacharya et al., 2022).

Prospect Factors

Expected Utility Theory (EUT) and Prospect Theory are acknowledged as two decision-making techniques in the discipline, in contrast to the points of view. Whereas EUT concentrates on logical decision-making, Prospect Theory stresses the internal value system of investors (Filbeck et al., 2005). The Prospect Theory addresses the psychological aspects of people's decision-making processes, such as mental accounting, loss aversion, and regret aversion. The prospects (loss aversion, regret aversion, and mental accounting) proposed by Pokharel and Baral (2020) showed no discernible correlation with investment decision. Silwal and Bajracharya (2021) found, there was a negative link between investment decision and prospect behavioral factors.

Market Factors

Ongeta (2021) mentioned that the investors may respond irrationally to news or price fluctuations; they may apply historical patterns incorrectly to future prices; they may be unable to concentrate on the basic study of the underlying stock; or they may prioritize popular stocks. Cycles in the price of stocks Waweru et al. (2008) identified the price fluctuations, market information, historical stock trends, consumer preferences, overreaction to price movements, and the fundamentals of the underlying equities are some of the market elements that have an impact on investors' decision-making.

Herding Factors

Investors' tendency to imitate the activities of others is known as a herding factor in the financial market (Pokharel & Baral, 2020). In order to ensure that their investment price stays true to the underlying market value, investors typically give top priority to the decisions made by a large number of people when making investments. As a result, several investment possibilities based on current knowledge may be affected. Silwal, and Bajracharya (2021) found that herding factor are found to have positive correlation to investment.

Dependent Variable

Investment Decision

The return on an investment portfolio informs investment decisions. If the portfolio yields the highest return at a particular risk level, it is considered to have outperformed. According to traditional finance theory, portfolio performance is enhanced by rationality. But new research on financial behavior reveals that people's emotional preferences, deeply entrenched cognitive patterns, and psychological biases influence how individuals view the world and make judgments when it comes to investing (Elhussein & Abdelgadir, 2020). As a result, the observed variable for gauging the performance of our investments has been satisfaction with the current return, the excess return of the portfolio over the market, and the historical return trend. The choice to invest is then used as the dependent variable in the structural model, and other behavioral variables such as prospect, market, herding, and heuristics are used as the independent variables.

CHAPTER – IV

RESULTS AND DISCUSSION

The main purpose of this study is to evaluate the effect behavioral factors on investors' investment decision in Nepalese stock market. This chapter deals with the statistical analysis of the research findings of the study. SPSS is used to analyze the data. Descriptive statistics, correlation analysis and regression analysis are used to summarize the results of this study and presented in tabular forms.

4.1 Results

4.1.1 Demographic Information

The study examined at a number of background information features belonging to the respondents in order to assist assesses the accuracy and reliability of the information they provided. These demographic variables included: gender, age, education levels of investor and the years of experience of investors.

Table 2

Gender Specification

Gender	No. of Respondents	Response (percent)
Male	141	35.25
Female	259	64.75
Total	400	100

Note. Opinion Survey, 2024

Table 2 shows the gender description of respondents. 400 respondents' data are gathered and analyzed for this study, which focuses on the Kathmandu Valley. Given that female made up 64.75 percent of the respondents, the majority of investors are probably women. With fewer replies than men respondents, female make up the majority of the 400 respondents. However, when asked about behavioral factors and how they affect stock market investors' investment decisions, 35.25 percent of respondents are male. These results show that females are more likely than men to have made stock market investments in the research area. Both female and male respondents make up the majority of the sample in this case.

Table 3*Age Description of Respondents*

Age	No. of Respondents	Response (percent)
18-25	62	15.50
26-35	242	60.50
36 and above	96	24.00
Total	400	100

Note. Opinion Survey, 2024

According to Table 3, which provides an age description of the respondents, 60.50 percent of the respondents are in the 26–35 age range in the Kathmandu Valley. The age group of 36 and older makes up the smallest percentage of stock market investors. Nonetheless, the bulk of responders are young. Furthermore, of those who responded, 15.50 percent identified as belonging to the 18–25 age group and 24.00 percent as representing the 36 and older age group. This suggests that 76.00 percent of all stock market investors in Nepal are young, active individuals who are able to make stock market investments, among other things.

Table 4*Education Level of the Respondents*

Education	No. of Respondents	Response (percent)
PCL and below	23	5.75
Bachelor	273	68.25
Masters and above	104	26.00
Total	400	100

Note. Opinion Survey, 2024

Table 4 presents the education profile of the respondents. As to the report, of the 400 investors who are questioned, 273 (68.25 percent) had a bachelor's degree, while 104 (26.00 percent) had a master's degree and above. Additionally, only 23 investor representing 5.75 percent with a PCL or less has made an investment in this study.

The results suggest that most of the respondents who are questioned could read and comprehend the questionnaires that were utilized for this investigation. As a result, the respondents are able to give accurate responses and demonstrated that they are aware of how behavioral aspects affect stock market investing decisions.

Table 5*Year of Experience of Investors*

Year of Investment	No. of Respondents	Response (percent)
Fresher	15	3.75
1-5 years	140	35.00
5-10 years	180	45.00
10 years and above	65	16.25
Total	400	100

Note. Opinion Survey, 2024

Table 5 also included details on the respondent's stock market investment background. Of the 400 respondents, 180 (45.00 percent) have been investing for 5 to 10 years, while 140 (35.00 percent) have been investing for 1-5 years. Furthermore, it is found that 65 respondents, or 16.25 percent, have been investors for 10 years or more, whereas 15 respondents, or 3.75 percent, have been investors for fresher.

4.1.2 Descriptive Statistics Analysis

The data in this study are analyzed using the mean and standard deviation methods. A higher mean value indicates that more respondents concur that the variable may significantly effect on investment decisions.

Heuristic Factors

This section uses descriptive analysis to examine how behavioral factors affect stock market investing decisions made by investors. Heuristic factors in this study consist of five assertions. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how behavioral variables affect stock market investing decisions made by investors.

Table 6*Heuristic Factors*

Scale Items of Heuristic Factors	Mean	Std. Dev.
HF1 I buy bulling stocks and avoid stocks that have performed poorly in the recent past	3.8000	1.05963
HF2 I use trend analysis of some representative stocks to make investment decisions for all stocks that I invest in	3.8600	.97096
HF3 I believe that my skills and knowledge of the stock market can help me to outperform the market	3.8200	.99503
HF4 I forecast the changes in stock prices in the future based on the recent stock prices	3.8800	1.01399
HF5 I am normally able to anticipate the end of good or poor market returns	3.6700	1.07889

Note. Appendix-I

Table 6 presents descriptive statistics for five different scale items that are heuristic considerations used by stock market investors. The scale item with the highest mean score among all was HF4, “I forecast the changes in stock prices in the future based on the recent stock prices.” The lowest mean, 3.6700, was found for scale item HF5, “I am normally able to anticipate the end of good or poor market returns.” From the above table, it is clear that investors project future stock price changes based on current stock prices and think their expertise and understanding of the stock market will enable them to outperform the market.

Prospect Factors

This section uses descriptive analysis to examine how behavioral characteristics affect stock market investing decisions made by investors. Prospect factors three claims in this study. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how behavioral variables affect stock market investing decisions made by investors.

Table 7*Prospect Factors*

Scale Items of Prospect Factors	Mean	Std. Dev.
PF1 After a prior gain, I take more risk-seeking than usual	3.7400	1.02715
PF2 I avoid selling shares that have decreased in value and readily sell shares that have increased in value	3.7500	1.03449
PF3 I tend to treat each element of my investment group separately.	3.8100	1.01808

Note. Appendix-I

Table 7 presents descriptive statistics for three distinct scale items related to prospect factors of stock market investors. PF3, “I tend to treat each element of my investment group separately,” earned the highest mean score of all the scale items, 3.8100. The lowest mean, 3.7400, was found for scale item PF1, “After a prior gain, I take more risk-seeking than usual.” The aforementioned table indicates that investors often handle each component of their investment group independently, refraining from selling shares that have appreciated in value and quickly selling those that have.

Market Factors

This section uses descriptive analysis to demonstrate how behavioral characteristics affect investors' stock market investment decisions. There are four distinct assertions that are market factors. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 8*Market Factors*

Scale Items of Market Factors	Mean	Std. Deviation
MF I consider the price changes in stocks that I intend to invest in	3.5400	1.09150
MF2 I over-react to price changes in stocks.	3.5900	1.06052
MF3 Market information is important for my stock investment	3.7600	.99240
MF4 I put the past trends of stock under my consideration for my investment	3.6300	1.01769

Note. Appendix-I

Table 8 presents descriptive statistics of four distinct market characteristics pertaining to stock market investors. The item MF3, “Market information is important for my stock investment,” earned the highest mean score of all the scale items, 3.7600. The lowest mean, 3.5400, was found for scale item MF1, “I consider the price changes in stocks that I intend to invest in.” It is evident from the data that investors prioritize market information when making stock investments and take historical stock patterns into account.

Herding Factors

Using a descriptive approach, this section investigates the state of herding factors. The study's list of herding variables consists of three claims. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how behavioral variables affect stock market investing decisions made by investors.

Table 9

Herding Factors

Scale Items of Herding Factors	Mean	Std. Dev.
HDF1 Other investors' decisions about choosing stock types have an impact on my investment decisions	3.7400	1.02715
HDF 2 Other investors' decisions on the stock volume have an impact on my investment decisions	3.8500	1.02476
HDF3 Other investors' decisions about buying and selling stocks have an impact on my investment decisions	3.8750	1.03782

Note. Appendix-I

Table 9 presents descriptive statistics for three distinct scale items representing stock market investor herding factors. HDF3, “Other investors’ decisions about buying and selling stocks have an impact on my investment decisions,” earned the highest mean score of all the scale items, 3.8750. The lowest mean, 3.7400, was found for scale item HDF1, “Other investors’ decisions about choosing stock types have an impact on my investment decisions.” It is clear from the data that investors felt their own decisions about stocks, as well as the decisions of other investors on the purchase and sale of stocks, affected their own decisions.

Investment Decision

Through descriptive analysis, the state of investment decision is demonstrated in this part. Three statements are included in the investment decisions. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 10

Investment Decision

Scale Items of Investment Decision	Mean	Std. Deviation
ID1 The return rate of my recent stock investment meets my expectation	3.6800	1.14055
ID2 My rate of return is equal to or higher than the average return of the market	3.7400	1.03686
ID3 I feel satisfied with my investment decisions in the last year (including selling, buying, choosing stocks and deciding the stock volume)	3.7800	1.05564

Note. Appendix-I

Table 10 showed the individual scale components of the investment decision. Among three scale items ID3 “I feel satisfied with my investment decisions in the last year (including selling, buying, choosing stocks and deciding the stock volume)” scored the highest mean value 3.7800 with standard deviation 1.05564. Then, scale item ID1, “The return rate of my recent stock investment meets my expectation,” got the lowest score, with a mean value of 3.6800 and a standard deviation of 1.14055. The results of the research indicate that investors felt content with my choices regarding purchases, sales, volume of stock selection, and stock selection during the previous year, and that their rate of return was either higher than or equal to the market's average return.

4.1.3 Summary of Descriptive Analysis

The mean value and standard deviation of each dimension are used to assess the impact of behavioral variables on stock market investing decisions. Using reliable sources that Creswel (2012) gave, the decision rule (cut-off point) for the mean values is determined and interpreted. Creswel (2012) states that a mean value of < 1.5 indicates very low, 3.5-4.5 indicates high, 2.5-3.5 indicates moderate, and ≥ 4.5

indicates very high. The researcher reported the participants' mean score for each category of variable descriptions based on this mean score assessment.

Table 11

Summary of Descriptive Analysis

Study Variables	Mean	Std. Deviation	Evaluation of Mean Score
Heuristic Factors (HF)	3.8060	.76696	High
Prospect Factors (PF)	3.7667	.87223	High
Market Factors (MF)	3.6300	.84477	High
Herding Factors (HDF)	3.8217	.83229	High
Investment Decision (ID)	3.7333	.79682	High

Source: Appendix-I

The results of the study show that, as shown in Table 10, the investment decisions has a mean score of 3.7333, which denotes a moderate level. With the exception of the herding components, which fall between 3.6300 and 3.8217, it shows that every behavioral factors element is at a high level. The elements with the highest mean score value of 3.8217 is the herding factors, followed by heuristic factors, prospect factors, and market factors. The highest mean score of 3.8217 indicates that the herding factors are the primary focus of this investigation. The total value of the highest mean score of 3.8217 suggests that the herding factors is the main element in this study. Then, it's clear that the majority of investors feel that their level of investment decision-making is high and that herding factors have a significant impact on their performance. A total mean score of 3.7333 was obtained by the investment decision (ID), while heuristic factors (HF), prospects factors (PF), market factors (MF), herding factors (HF) received scores of 3.8060, 3.7667, 3.6300, and 3.8217, respectively.

4.1.4 Correlation Analysis

The influence of behavioral factors on stock market investing decisions is investigated using correlation analysis. The relationship between the dependent and independent variables investment choice performance and behavioral factors is shown in the following tables. Correlation analysis was used in this study to determine the connection between the variables. Using the SPSS software, the researcher determined the correlation coefficient value in this analysis. The general association

between behavioral characteristics and investors' performance in making investment decisions was the main focus of the correlation analysis.

Table 12

Pearson Correlation Coefficients of Study Variables

	HF	PF	MF	HDF	ID
Heuristic Factors (HF)	1				
Prospect Factors (PF)	.734** (.000)	1			
Market Factors (MF)	.390** (.000)	.286** (.000)	1		
Herding Factors (HDF)	.499** (.000)	.409** (.000)	.385** (.000)	1	
Investment Decision (ID)	.717** (.000)	.635** (.000)	.554** (.000)	.591** (.000)	1

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

Note. Appendix-II

Table 12 shows the results of the correlation test for both the dependent and independent variables using a correlation coefficient matrix. The correlation analysis shows that heuristic factors have significant positive relationship with investment decisions, with a significant value of 0.000 and a coefficient of 0.717. Likewise, the correlation coefficient between prospect factors and investment decision is 0.635, with a significant value of 0.000. Thus, it is evident that prospect factors and investment decision have a significant positive relationship ($P < 0.05$). Additionally, there is a significant positive association ($P < 0.05$) between market factors and investment decision, as indicated by the correlation value of 0.554, which has a significant value of 0.000. It can be concluded that there is a significant positive relationship ($P < 0.05$) between herding elements and investment decision based on the correlation value between the two variables, which is 0.591 and has a significant value of 0.000.

4.1.5 Multiple Regression Analysis

A wide range of modeling and analysis tools are used when the relationship between the independent variables (market, prospect, heuristic, and herding factors) and the dependent variable (investment decision), also known as the investment choices, is the main emphasis.

Table 13*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816 ^a	.665	.662	.46344

a. Predictors: (Constant), HDF, MF, HF, PF

Note. Appendix-III

The R square is 0.612. The implication therefore is that, 61.20 percent of the variation in the dependent variable (investment decision) is explained by the independent variables (heuristic factors, prospect factors, market factors and herding factors). In this study, the R statistic is 0.783, indicated that there is strong relationship between study variables. This implies that the investment decision was highly influenced by its independent variables. Standard error of estimate is flawlessly associated with regression analysis.

Table 14*Analysis of Variance (ANOVA)*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	168.496	4	42.124	196.128	.000 ^b
Residual	84.837	395	.215		
Total	253.333	399			

a. Dependent Variable: ID

b. Predictors: (Constant), HDF, MF, HF, PF

Note. Appendix-III

Findings indicate that the investment decisions have a major impact. The results indicate a significant relationship between the independent variables and the dependent variable (investment decision), as demonstrated by the F-values of 149.659 ($p = 0.000 < 0.05$) for heuristic factors, prospect factors, market factors, and herding factors as a proxy for investment decision.

Table 15*Regression Coefficient of Independent Variables on Investment Decision*

Variables	Coefficients	t-statistics	Sig. or p-value
(Constant)	-.114	-.817	.414
Heuristic Factors (HF)	.352	7.331	.000
Prospect Factors (PF)	.196	4.976	.000
Market Factors (MF)	.257	8.373	.000
Herding Factors (HDF)	.219	6.601	.000

a. Dependent Variable: ID

Note. Appendix-III

Table 15 presents the regression coefficient of heuristic factors, prospect factors, market factors and herding factors and the intercept value of dependent variable investment decision. The coefficient of regression β for heuristic factors is 0.352. According to the findings, if on unit heuristic factors increases, investment decision increases by 0.352 units. The p value of heuristic factors value is 0.000, meaning that they are statistically significant at the five percent significance level. Heuristic components, therefore, have a significant positive influence on the investment decisions. The coefficient of regression β for prospect factors is 0.196. According to the statistics, the investment decisions increases by 0.196 units for every unit change in prospect factors. Furthermore, at the five percent significance level, the shift is statistically significant, as indicated by the prospect factors' p value of 0.000. Hence, this is significant positive effect of prospect factors on investment decision.

The coefficient of regression (β) for market factors is 0.257. These statistics show that for every one unit increases in a market factor, investment decision increased by 0.157 units. At the five percent significance level, the market factors' p value of 0.000 indicates that they are statistically significant. Therefore, the investment decision is greatly benefited by market conditions. Lastly, for herding components, the coefficient of regression β is 0.219. Investment decision improved by 0.219 units if each herding factors increased by one, according to the data, and the herding factors' p value of 0.000 shows that the rise is statistically significant at the five percent significance level. As a result, herding factors has significantly positive effect on investment decisions.

4.2 Discussion

The main purpose of the study is to evaluate the effect of behavioural factors on investors' investment decisions in stock market. This study is broadly paying attention on different factors (like heuristic factors, prospect factors, market factors and herding factors). This research also highlights the association between different behavioural factors and investment decision. Research and previous literature supports the relationship between heuristic factors, prospect factors, market factors and herding factors and investment decision. The research literature validates that these factors directly investment decision.

Results obtained from the data analysis for heuristic factors are found to have positive and significant relationship with investment decision. Rajeshwaran (2020) found a positive and significant relationship between heuristic factors and investment decision. This is also consistent with the finding of Baral and Pokharel (2020); Elhussein and Abdelgadir (2020); Kunwar (2021). Likewise, prospect factors have positive and statistically significant relationship with investment decision. The result is consistent with Baral and Pokharel (2020) which observed positive relationship between prospect factors and investment decision. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran (2020) which observed that prospect factors have negative relationship with investment.

There is significant positive relationship of market factors and investment decision. The result is line with the findings of Baral and Pokharel (2020) mentioned that market factors have positive and significant positive relationship with investment decision. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran (2020) which observed that market factors have insignificant negative relationship with investment decision. At the same time, there is positive and significant relationship of herding factors and investment decision. This finding is similar with the previous study of Baral and Pokharel (2020) concluded that herding factors has positive relationship with investment decision. The result is also consistent with Elhussein and Abdelgadir (2020); Kunwar (2021). However, it contradicts with the finding of Rajeshwaran

(2020) which observed that herding factors have insignificant negative relationship with investment.

The multiple regression analysis found that heuristic factors have significant positive impact on investment decision in stock market. This is consistent with the finding of Sashikala and Chitramani (2018). The result is also consistent with Rajeshwaran (2020); Septian et al. (2022). Likewise, the prospect factors have significant positive impact on investment decision in stock market. This finding is similar with the prior study of Ong'eta (2021). This result is also consistent with the finding of Sashikala and Chitramani (2018) found that prospect factors had significant positive impact on investment decision. The result is also consistent with Ong'eta (2021). However, it contradicts with the finding of Rajeshwaran (2020); Septian et al. (2022) which observed that prospect factors have negative effect on investment decision. Further, the market factors have significant positive impact on investment decision. This result is consistent with the finding of Sashikala and Chitramani (2018). Moreover, this study also line with the prior study of Septian et al. (2022) mentioned that market factors had significant positive influence on investment decision but opposite to the finding of Rajeshwaran (2020). Finally, the herding factors have significant positive impact one investment decision. This is consistent with the finding of Sashikala and Chitramani (2018); Nepal and Gyawali (2023). However, it contradicts with the finding of Rajeshwaran (2020); Ong'eta (2021); Septian et al. (2022) which observed that herding factors have negative effect on investment decision.

CHAPTER – V

SUMMARY AND CONCLUSION

5.1 Summary

The development of behavioral finance has led to the identification of several concepts that lead individuals to behave irrationally and make poor decisions under unclear circumstances. It makes sense to us that investors buy, hold, or sell assets without doing a fundamental analysis since asset valuations may diverge from their intrinsic value, undermining the idea of market efficiency. Every investor constructs his portfolio in accordance with his own investing objectives and risk tolerance. These anticipated decision-making processes and the data gathered from market participants are become less and less plausible in today's global financial markets. Rational decision-making is another aspect of behavioral finance that impacts decision-making. In this process, individuals react to market possibilities and risks by weighing the many possible market scenarios and choosing a particular path of action after thoroughly analyzing them. Examining the factors influencing individual investors' decisions in the Nepali stock market was the aim of this study. The study also intends to look into the ways in which various elements affect individuals' investment behaviors and the ways in which those behaviors are influenced by people. The study also examined the effects that investors' overall investment activity had on each component.

The major objective of this study is to analyze the impact of behavioral factors on investors' investment decision in stock market. The other specific objectives are to identify the behavioural factors influencing the investment decisions of individual investors, to analyze the relationship between behavioural factors and investment decisions of investors and to assess the impact of behavioural factors on the stock investment decision-making of individual investors in Nepalese share market. This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the behavioral factors of stock investment decisions of Nepalese investors. This study adopts descriptive research design to analyze the behavioral factors characteristics and status which can help take investment decision in Nepalese stock market. Causal research design uses to find the cause and effect of behavioral factors on investment decision of investors. Since all

the investors within Kathmandu Valley of different companies listed in NEPSE such as commercial banks, development banks, finance, insurance, manufacturing, hydropower and other are considered are the population but only 400 investors are the sample of this study. The primary data is used to extract the information from the investors regarding the behavioral factors and its impact on investment decision of investors in Nepalese stock market. In this study, descriptive analysis, correlation analysis and multiple regressions are applied by using SPSS version 26. This study use investment decision as dependent variable and heuristic factors, prospect factors, market factors and herding factors are the independent variables.

This study found that investors agreed that herding factors and heuristic factor highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant position association between heuristic factors and investment decision. Similarly, prospect factors have significant positive relationship with investors' investment decision. At the same time, there is significant positive association between market factors and investment decision. Moreover, correlation value between herding factors and the investment decision is significant positive. The regression analysis shows that there is significant positive effect of heuristic factors on investment decision. Then, there is also significant positive effect of prospect factors on investment decision. At the meantime, market factors have significant positive impact on investment decision. Finally, herding factors have significant positive effect on investment decision. However, all the behavioral factors have significant impact on investors' investment decision in stock market.

5.2 Conclusion

This study examined effect of behavioral factors on investors' investment decisions in stock market. The study concluded that heuristic factors, prospect factors, market factors and herding factors are the major factors of investors' investment decision in Nepalese stock market. Specially, this study concluded that investors agreed that herding factors and heuristic factor highly affects investors' investment decision in stock market among the other variables.

Heuristic factors have significant positive relationship with investment decision. Likewise, prospect factors have significant positive relationship with investors' investment decision. At the meantime, there is significant positive association between market factors and investment decision. Finally, correlation value between herding factors and the investment decision is significant positive.

The results further concluded that the effect of heuristic factors on investment decision is significant positive. Then, there is also significant positive effect of prospect factors on investment decision. At the meantime, market factors have significant positive impact on investment decision. Moreover, herding factors have significant positive effect on investment decision. Therefore, all the behavioral factors are the major indicators of investment decision of investors because these factors have significant impact.

5.3 Implications

The study has the following implications;

- i. This study found that heuristic factors, prospect factors, market factors and herding factors have the significant positive influence on investment decision. The findings of the research triggered the Nepal Stock Exchange to step up efforts to educate investors since doing so is crucial to avoiding bad investing outcomes brought on by behavioral factors. Attending accounting and financial seminars is essential for improving accounting competency, which in turn improves the capacity to assess securities prior to acquiring and buying them.
- ii. This study added additional elements derived from in-person interviews that have been discovered to influence Nepalese shareholders' investment decisions, on top of the components previously investigated and drawn from well-known behavioural finance theories. The individual stock investor seems to be most impacted by these factors.
- iii. This research may contain some of the most recent data, figures, and worries regarding the behavioral features and decision-making behavior of investors. Thus, this study should be of interest to investors, future scholars, and students alike.

- iv. The analysis's findings will ultimately be advantageous to the government since they will allow it to better support market efficiency and satisfy investor demands by identifying the major influencing factors and amending relevant laws and other policies.
- v. The research contributes to the body of knowledge already available in the field of finance by improving it. Researchers and scholars who want to learn more about behavioral finance in the future might use this work as a reference. The researcher has identified topics that require additional investigation at the study's end. Future scholars and researchers will use this as the foundation up.

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