

# **FACTORS INFLUENCING INVESTORS AWARENESS IN NEPALESE STOCK MARKET**

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## LETTER OF RECOMMENDATION

This thesis entitled “**Factors Influencing Investor’s Awareness in Nepalese Stock Market**” has been prepared by **Mr. Dipendra Sapkota** under my guidance and supervision. I hereby recommend this thesis for examination by the thesis Committee as a partial fulfillment of the requirements for the **Degree of Master of Arts in Economics**.

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Prof. Dr. Sohan Kumar Karna  
(Thesis Supervisor)

Date: 2077/06/21 B.S  
07 October 2020 A.D

## LETTER OF APPROVAL

We clarify that this thesis entitled “**Factors Influencing Investor’s Awareness in Nepalese Stock Market**” submitted by **Mr. Dipendra Sapkota** to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the degree of **Masters of Arts in Economics** have been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the Degree.

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I'm very glad and pleased to submit this thesis on topic of “**Factors Influencing Investors Awareness in Nepalese Stock Market**” submitted to Central Department of Economics, Faculty of Humanities and Social Sciences, as per prescribed syllabus of Tribhuvan University. This thesis or credit has substantially contributed in expansion of my theoretical as well as practical exposure in empirical paper writing.

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## EXECUTIVE SUMMARY

The commencement of the capital market has granted investment opportunities for individuals and institutional investors in Nepal. The capital market acts as a mechanism that creates investment alternatives for the saving or surplus units and source of long term funds for individuals, firms and the government. Capital market plays a vital role in the economic development by creating the employment opportunities through capital formation and acting as the intermediaries between the saving units and the deficit units. But, the mere existence of the capital market does not guarantee the economic growth. This mechanism creates the micro-level saving mobilization, an opportunity and challenges too. The financial literacy and awareness level are the crucial elements for the healthy growth of the market.

The main purpose of the study is to find the level of awareness among the stock investors in Nepalese capital market. The study also analyses the factors influencing investor awareness. In this study 104 samples were taken from the whole investors/clients. In order to conduct this study, descriptive research design has been adopted. The source of information for this research was primary data collection from the investors. The major source of the primary data was structured questionnaires which were distributed and collected from the investors who invested in share market. For the purpose of analysis of the data, the data collected from the survey were coded for statistical analysis. SPSS tool was used to organize the data, determine significant relationships and identify difference or similarities with & between different variables under study.

The findings from Z test show that there is statistically significant relationship between investor awareness, fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations and information dissemination. Pearson correlation coefficient shows that investor awareness and the factors influencing it are positively correlated.

It is concluded that the level of investor awareness is moderate i.e. mean = 3.72 in Nepalese stock market. Most of the Nepalese investors use only fundamental analysis

for analyzing investment on stock. They analyze debt/equity, price/earnings, assets and liabilities, dividends, cash flow, sales, earnings estimates, growth, etc. Majority of them do not conduct technical analysis such as trend analysis, momentum analysis, chart analysis, moving average etc due to lack of knowledge. Thus, trainings, workshops & seminars regarding investments should be carried on a regular basis in various parts of the country. During such programs, the investors should be educated about technical aspects of investment, nature of risk and return, investor rights and obligations, new financial products, benefits of investing etc. NEPSE has to ensure that all companies share all relevant information on a timely basis so that the stock price reflect their company's status more accurately.

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## ABBREVIATIONS

MA	Master of Arts
TU	Tribhuvan University
NEPSE	Nepal Stock Exchange
SEBON	Securities Board of Nepal
SLC	School Leaving Certificate
SPSS	Statistical Package for Social Science
TU	Tribhuvan University
USE	Uganda Securities Exchange
MRA	Multiple Regression Analysis

# **CHAPTER I:**

## **INTRODUCTION**

### **1.1 Background**

The financial sector in Nepal has been rapidly growing along with growth of the capital market. The people have become increasingly active in the financial sector/markets. The increasing market participation of the people is accompanied by the availability of the new financial products and services. Meanwhile, the market liberalization and the reforms in the structure in the social security have also supported this increasing active market participation. So with this growth of capital market, there rises the question of sustainable development of this sector. For the healthy long term growth, there are various prerequisites such as investors' literacy and awareness level, availability and access to the information, and ability or knowledge to analyze such information for making decisions.

This study aims to identify the factors influencing the investor awareness on stock market. The purpose of doing this research is to know about the factors that increases the individual investors' level of awareness regarding the investment environment and stock market. The awareness level among the investors is the foundation for making the investment decisions. There are various factors based on which the investors make their investment decisions and yet there are various factors which make those investors aware about the investment and the market. In this research report, we focus on the latter. So those factors affecting the investors' awareness may include information availability, financial literacy, social learning, peer recommendations, investors' personal financial motives, knowledge of fundamental and technical analysis, family and friends' suggestion, advocate recommendation, etc.

#### **1.1.1 Investor Awareness**

Volpe, Kotel, & Chen ( 2002) defined investor awareness as investor literacy or knowledge about the investment environment or the market. The level of awareness measures the investor's exposure to the knowledge or information about the industry as a whole. It is significant since investors are expected to make their investment decisions based on these information and knowledge. Investor awareness is often interchangeably used with terms like investor literacy,

investor education, investor knowledge etc. as they all lead to creation of the attentive investors. Today, the internet plays important role in enhancing the investors' knowledge. The online investors should have more knowledge than normal investors which helps them to succeed in the securities market because they are more likely to be sounded by financial misinformation and manipulation. Investors' knowledge varies with their education, experience, age, income and gender

Guiso & Jappelli (2004) defined investor awareness as the knowledge of investment, and about the important updates of the market. Investor awareness and their commitment for the long-term investment play the vital role in expansion and achievement of the sustainable growth of the economy. So it is expected that the awareness and the commitment move in the same direction. Generally, there are two types of investors, i.e. aware and unaware. The aware investors may know about the existence of the risky assets like bonds and stocks, and their characteristics. They may have the same information on the probability distribution of the stock return. The others may be not aware of stocks. Hence, regardless of the entry costs, they can only invest in bonds.

Investor awareness also refers to a term used in investor relations, by public companies and other bodies, to describe how well their investors know their business. Investor awareness is knowledge of the investors about the company's business. We can look at it this way with a question; "Do investors know about the company?" If the answer to the question is "yes," then it can be assumed that the company is successful in creating or establishing "good investor awareness". This indicates that investors have knowledge of, or are conscious of a company and are very aware of its products and services. On the other hand, if "no", it can be said that a company has established "poor investor awareness," or even "no investor awareness". Thus, the company probably might have done a poor job at creating a visibility of the company among the potential investors.

Liu (2007) viewed that the information is transmitted from issuers to investors through several different channels in the stock markets. They are mainly passed on through mandatory public disclosure by issuers; voluntary public or private disclosure by issuers; and private acquisition by investors from sources other than the issuer, such as buying research reports from stock analysts, examining the firm's products or services, and consulting the firm's competitors among others.

Liu (2007) found that the small investors are mainly relied on information from public disclosure, whereas professional investors use all channels. Some professional investors, in particular, are selected by the issuer to receive material information through quarterly analyst conference calls. Many issuers prefer such selective disclosure for the practical reasons. They seek to conceal information from their competitors which leads to an information gap within the financial market.

### **1.1.2 Introduction to NEPSE**

NEPSE is established under the company act, operating under Securities Exchange Act, 1983. NEPSE is the only organized exchange to carry out secondary market operation of corporate securities in Nepal. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries such as brokers and market makers, etc (NEPSE, n.d.). NEPSE opened its trading floor on January 13, 1994 through its newly appointed licensed members and has adopted an "Open Out-Cry" system for the transaction of securities. The trading floor is restricted to listed corporate securities and government bonds with the market intermediaries in buying and selling of such securities (Gurung, 2004).

The history of securities market began with the floatation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction of the Company Act in 1964, the first issuance of Government Bond in 1964 and the establishment of Securities Exchange Center Ltd. in 1976 were other significant development relating to capital markets. Securities Exchange Center was established with an objective of facilitating and promoting the growth of capital markets. Nepal Government, under a program initiated to reform capital markets converted Securities Exchange Center into Nepal Stock Exchange in 1993. Members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. The tenure of the membership is one year. The license should be renewed within 3 months after the closure of the fiscal year. If not, it can be done within another three months by paying 25% penalty (Regmi, 2012).



## **1.2 Problem statement**

As I am an economics student, I am interested in the stock market. So for my research study, I selected the topic related to the stock market and investment. I went to different brokerage firms and asked them about their problems and the issues they face. According to them, they sought to know about what factors influence the awareness of their investors and how aware are their investors. As the investor awareness leads to the investment decision and to the engagement of stock transaction with the brokerage firm, they were much concerned about it. It ultimately has the impact on their revenue which are generated through commissions and on their profit. So they wanted to attract more clients and retain their existing clients through the investor awareness.

Securities Board of Nepal (SEBON), the apex regulator has a limited awareness programs like workshops and seminars, training programs, street campaigning etc. The companies listed on Nepal Stock Exchange (NEPSE) and the brokerage firms are yet to perceive the essence of such programs. There is the lack of timely and reliable information among the investors which help to shape the rational investment decisions. The development and growth of the capital market can be accelerated by educating the investment communities or the stakeholders in terms of their risk and return on investment, investment objectives, alternatives, investment decision making processes, etc. The market still shows a low level of awareness among the investors. This limited level of awareness has affected the making of proper investment choices by individual investors.

The fluctuating stock price indices, capital centric trading system, limited numbers of dominant investors and their influence, etc. are some of the prominent issues in the stock market. According to Kafle, the stock market is bullish, and it is getting to new peaks. There various factors contributing to it. One of them is investors' awareness on risk return and investment profile (Kafle, 2007).

Awareness can be increased among the general public about the capital market, regarding the nature of risk and return, through promotional campaigns, seminars, publications and programs in FM/TV etc (Baidhya & Parajuli, 2004). Thus, this study attempts to highlight the importance of investor awareness in stock market.

### **1.3 Research Questions**

The research questions for the study are as follows:

- What are the factors that influence the investor's awareness in Nepalese stock market?
- What is the relationship between the factors that influence the investor awareness and Investor Awareness in Nepalese stock market?
- What are the problems being faced by the individual investors investing in stock market?

### **1.4 Objectives of the study**

The general objective is to find out the level of awareness among the stock investors in Nepalese stock market. The specific objectives are as follows:

- To identify the factors influencing the investor awareness.
- To identify the relationship of factors that influence the investor awareness and Investor Awareness in Nepalese stock market.
- To analyze the problems being faced by the individual investors investing in stock market.

### **1.5 Hypothesis of the study**

Following hypothesis have been developed for the purpose of the study:

#### **Hypothesis 1:**

H<sub>0</sub>: There is no significant relationship between fundamental and technical analysis and investor awareness.

H<sub>1</sub>: There is significant relationship between fundamental and technical analysis and investor awareness.

**Hypothesis 2:**

H<sub>0</sub>: There is no significant relationship between education and training programs and investor awareness.

H<sub>1</sub>: There is significant relationship between education and training programs and investor awareness.

**Hypothesis 3:**

H<sub>0</sub>: There is no significant relationship between social learning and motives and investor awareness.

H<sub>1</sub>: There is significant relationship between social learning and motives and investor awareness.

**Hypothesis 4:**

H<sub>0</sub>: There is no significant relationship between evaluation of investment alternatives and investor awareness.

H<sub>1</sub>: There is significant relationship between evaluation of investment alternatives and investor awareness.

**Hypothesis 5:**

H<sub>0</sub>: There is no significant relationship between regulator's rules and regulations and investor awareness.

H<sub>1</sub>: There is significant relationship between regulator's rules and regulations and investor awareness.

**Hypothesis 6:**

H<sub>0</sub>: There is no significant relationship between information dissemination and investor awareness.

H<sub>1</sub>: There is significant relationship between information dissemination and investor awareness.

## **1.6 Significance of the study**

The study is conducted to understand the factors influencing investor's awareness in Nepalese stock market. Most of the investment theories describe the role financial knowledge and information as the basis for the investment decision but beside these the behavior factors also plays the role in the investment decision. Traditional theories assume that people are rational agents who make decisions objectively to take advantage of the opportunities available to them. Investors think of themselves as rational and logical. But when it comes to investing, their emotional inclinations, ingrained thought patterns and psychological biases, how they perceive the world and how they make decisions. So the main importance of the study is to understand the role of different factors while making the investment decision. This research will be helpful to understand the qualitative factors which affect the investor's decision making. The major significances of the study are as follows:

- The study helps to explain the investment decision behaviour and factors influencing investor's awareness in Nepalese stock market.
- The study can be helpful to identify the Nepalese investor's rationality and which factors influence investor's awareness more while making investment decision.
- The findings can be useful for the similar research works in future.

## **1.7 Limitations of the study**

The limitations of the study are as follows:

- The data collected for the study is a small group of respondents with a limited sample size of 104.
- Data and information collected from the respondents are based on their opinions and knowledge which are subject to bias.
- The time period for the study was limited so review of literatures are done on the basis of what I found and on my reach till the study period.
- The study was done only to know the factors that influence the investor's awareness in Nepalese stock market and which factors influence the most among different factors.

## **1.8 Organization of the Study**

The study is divided into following five chapters. The first chapter of the study is introduction which includes background of the study, statement of the problem, research questions, objective of the study, hypothesis of the study, significance of the study, limitation of the study. Second chapter of the study is review of literature which illustrates theoretical and empirical literatures studies that facilitates in finding out the gap of previous literatures available on the topic. The third chapter of the study is research methodology. This chapter comprises of research design, nature and sources of data, data collection tools and techniques used in this study. Likewise fourth chapter will be results and discussions which is crux of study that deals with analyzing collected data with the stated tools and techniques for solving the research objectives and answering them. Finally the last chapter will comprise major findings, conclusion and recommendations. And final part of the study are references, annex and appendix part that includes questionnaire and some calculations.

## **CHAPTER II:**

### **LITERATURE REVIEW**

In this chapter, an attempt is made to review the literature concerning the investor awareness in Nepalese capital market. In this section, various books, journals, articles and some previous research work related to the topic have been reviewed in detail.

#### **2.1 International Context**

Guiso & Jappelli (2005) found that Investors can be aware through learning from issuers and information distributors. Investors also often learn about investment opportunities from peers/friends who have been informed by financial intermediaries (Social learning). Further, investors can also be aware through financial awareness which is mainly determined by the factors like investor's resources (income, financial wealth), age and education status. The risk perception is determined by the information held by an individual. They propose that the probability/extent of consumers becoming aware about the financial assets depends on distributor's incentives to spread information to the investors and that people buy assets when they are aware of it. The assets issuers have strong incentives to inform the potential investors which help to broaden the investor base that leads to the lower cost of raising external capital for issuers, increasing the revenue for distributors. They can inform the investors through by mail, advertisement in the financial press, or through direct contact with the potential investors

Mirshekary & Saudagaran (2005) found that investors make financial decisions based on the information acquired from annual report, oral information and published daily share price as the major sources. On the other hand, the least influencing factors are; advice of friends and acquaintances, tips and rumors, and stockbrokers' advice.

Lintari (2006) examined the relationship between investor awareness and stock market efficiency in Uganda. It attempted to establish the extent to which trust among the investing public affects stock market efficiency in Uganda. The relationship between awareness, trust and stock market efficiency in Uganda were also examined.

The findings revealed that there is low stock market efficiency in Uganda and one of the reasons for that is the lack of awareness and the low trust among the investing public. There was a strong significant positive correlation between Awareness and Stock Market efficiency. This implies that if awareness is improved then the Stock Market efficiency is likely to get a boost in Uganda. There was also a strong significant positive correlation between Trust and Stock Market efficiency. This indicates that if trust is improved then Stock Market efficiency is likely to be improved in Uganda. The study suggests that in order to improve on the investor awareness to improve on the stock market efficiency of Uganda, a specialized unit should be adopted with strengthened responsibility for handling investor awareness.

Farzana, Rahman, & Mazumder (2010) investigated two crucial aspects of behavioral finance; investors' awareness about capital market and the services rendered by the brokerage houses. They employed a structured questionnaire for the study which was based on a survey on 76 individual investors. The results show that investors are conscious these days and they tend to have positive attitude towards the capital market. The investors are investing after carefully investigating and considering all the market related issues. Another aspect of this study reveals that there is a significant gap between expected and actual service of brokerage houses. The reasons for such differences were high commission rate, non-cooperative attitude of brokers, high account maintenance fee etc. Education and occupation of the investors are proved to be significant factors for investment after, their preference and the consideration for buying shares analyzing survey results whereas age and gender tend to show no effect. The findings of the study suggest investors to be more responsible toward capital market situation and also be aware of brokerage house services.

Barbara (2011) determined the relationship between investor awareness and perceived risk attitudes about the USE and to examine the relationship between perceived risk attitudes and investor behavior on the USE. It tried to establish the extent to which investor awareness, perceived risk attitudes affect investor behavior on the USE.

The findings revealed that Investor awareness and perceived risk attitudes were negatively correlated. The more financial information one has, the lower the perception of risk of investing in such a stock, and the higher the likelihood that investor invests more in a particular stock. There was also a negative correlation between perceived risk attitudes and investors' behavior on

the USE. This implies that the higher the risk perception, the lower the likelihood that investor invests in a particular stock and the lower the risk perception, the higher the likelihood that the investors engage more in trading. Both investor awareness and perceived risk attitudes had an impact on investor behavior. The study concluded that the investors tend to hold some local biasness and prefer the local stocks over the foreign stocks. They also seem to be influenced by something that can be instantly remembered. Some irrational influences tend to drive the investors behavior such as cognition, emotion and social influences. The study recommends for holding more awareness programs to improve the awareness of stock market activities in Uganda.

Motwani (2013) concluded that investment in equity needs a detailed study of various factors of a company before investing. Usually, the institutional investors are proficient, skilled and well experienced with analysis of fundamental factors before investing in equities. Nowadays, the small investors too have started considering different factors which have influence on the likely performance of the company due to changing scenario of stock broking business and mandatory provisions of regulatory bodies. In this study he attempted to identify the factors, which infrequent small investors consider substantially before investing in the equity. The various factors that were analyzed by the small investors are the financial performance and policy of a company, quality of management, dissemination of information and governance and ethical practices. The study found that the majority of infrequent small scale investors assess the fundamental factors of a company. But, their analysis is limited to financial performance and policy of the company, and the information dissemination. The other variables that are considered at lower degrees of consideration are governance and ethical practice of the company.

Muchiri (2015) determined the relationship between financial literacy and stock market participation by retail investors in Kenya. The researcher established a demographic profile of the investors with the information like age, gender, income level, academic qualification, occupation, level of investment, etc. The measure for the financial literacy was divided into two measures; Basic measure and Advanced measure

The findings of the study suggested that there is a strong positive relationship between financial literacy and stock market participation. It also cleared that the respondents were financially literate to a great extent. The study also tried to analyze the effects of other variables like age, income, and gender of the investors on the level of stock market participation. The finding



revealed that the stock market participation was highly influenced by the financial literacy. It had the highest influence on the stock market participation of the investors which was followed by the average monthly income, then the gender of retail investors, and age had the least influence. In this study, financial literacy was found to be high among the investors which could be attributed to the fact that most of the investors had a tertiary level of education. Another contributing factor was that the investors had business related training which helps to gear them with basic financial principles.

Banumathy & Azhagaiah (2016) studied the awareness of investors on stock market investment. The data were collected from 290 stock market investors of Puducherry using structured questionnaire. The analysis is made using Mann-Whitney U test and Kruskal-Wallis H Test. The study proves that there is a significant difference between male and female investors on awareness of stock market investment; there is a significant difference among the age, educational and occupational groups with respect to awareness; there is also a significant difference among the investors of different age and occupational groups, in respect of awareness.

Prabakaran (2018) examined the awareness about the stock market in India. It mainly focused the risk, general information and the Intraday trading procedure's variables to create the model for the awareness. A two-step approach of the partial least square analysis, the four constructs of awareness were tested and validated. Furthermore, there were three hypotheses as significantly out of the six, which is related to the study. This research contributed to the investors, on which awareness as an important to invest before entering into the market.

## **2.2 National Context**

Subedi (2003) examined the popularity of the securities among the general public. He sought to find out whether the investors are adequately aware or not in the share trading. He also tried to trace out the investors attitude towards the share investment in comparison to investment in other sectors.

The major findings of the study were that out of the total investors, majority responded that there are better opportunities for investors in the securities sectors. They responded that the banking, finance, insurance, manufacturing, hotel, trading and other sectors are suitable for investment in ranking. The status of grievances handling of the different institutions involved in share trading

activities could not be considered satisfactory as 87.5% of them showed their dissatisfaction. The dividend and capital appreciation were found most inspiring factors for investors to invest in shares while social status and participation in AGM were found less inspiring factors whereas marketability was found to be moderately considerable factors. The level of investor awareness in the securities market was found at low and moderate level as responded by most of the investors. The rumor and whim is found highly and moderately responsible in influencing the decision of the investors in share investment.

Thakur (2008) analyzed the pattern of public response to shares trading system and level of consciousness in Nepalese stock market. He found that most of the investors are investing their securities, highly influenced by whim and rumor related to share price. They don't have theoretical and technical knowledge to evaluate common stock of related companies. It means that the level of investors' consciousness is quite low. He concluded that there is no transparency and openness of trading system in Nepalese stock market at present.

Kadariya, Subedi, Joshi & Nyaupane (2010) examined the investor awareness and its relationship with investment decision in equity and investors' access to market information. The study found that the equity investors are aware and their level of awareness is high compared to needed or desired level. The aware equity investors have more chances of holding high volume of equity investment and there is problem on the access to information for equity investors in secondary market. Investor awareness is crucial for making the investment decisions and sustainable growth of capital market. The findings suggest that level of investment would increase, if various efforts were to enhance the level of investor awareness.

Kadariya (2012) found that from the past decades, the financial market has been suffering from the unforeseen and sudden economic turbulences which have been directly or indirectly contributing for the stock returns. The study primarily analyzed the reactions of the market to the tangible and intangible information in Nepalese stock market and also examined the opinions of the investors on Nepalese stock market issues. The sample size for the study was 185 stock investors and the response rate was 27 percent. The study found out that the capital structure and average pricing method is one of the major factors that influence the investment decisions. Political and media coverage is another factor, and the third factor is the belief on luck and the financial education, and the trend analysis is the final and fourth component for stock market

movement. Thus, he concluded that in order to succeed in Nepalese capital market, both the tangible and intangible information are essential.

### **2.3 Research Gap**

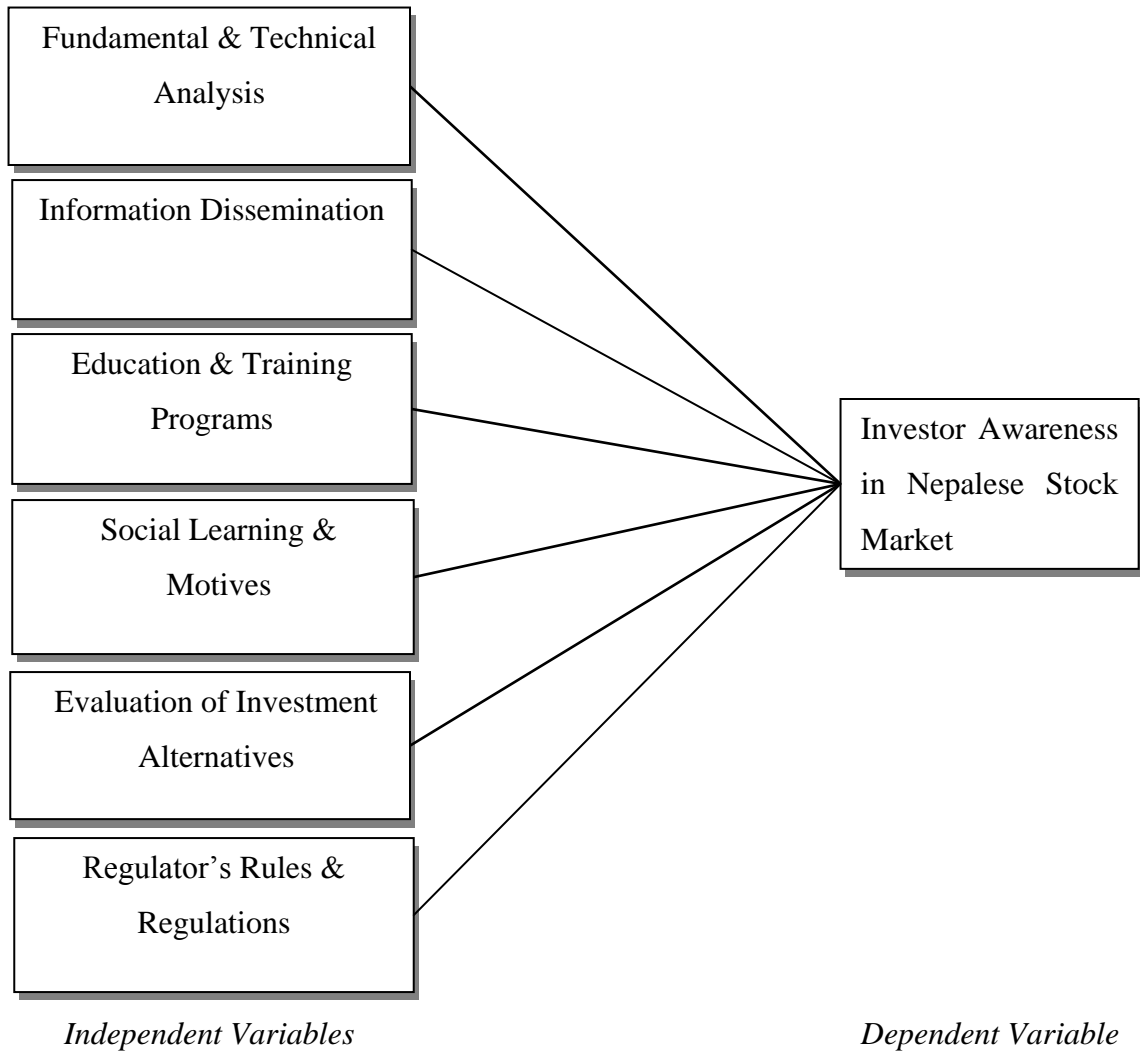
Based on the review of some major earlier studies, it is realized that there is a specific research gap in area of investor awareness in Nepalese stock market. Similarly, investors are keen to get the information but what is their status of access to market information is another area of the study. The variables used in earlier study considered mainly in the risk and return factors but there are many other factors that affect the investor awareness. The detail study regarding factors that influence the investor awareness in stock market investment has not been done in Nepalese context. Thus, this study tries to fulfil such gap by entering possible variables.

### **2.3 Conceptual Framework**

#### **Dependent Variable**

The dependent variable for the study will be investor awareness in Nepalese stock market. Investor awareness is the investor literacy or knowledge about the investment environment or about the market. It is affected by independent variables.

Figure 2.1: Conceptual Framework



Source: Self developed

## **Independent Variables**

The independent variables for the study will be education and training programs, fundamental and technical analysis, regulator's rules and regulations, social learning, evaluation of investment alternatives and information dissemination which are independent in nature and cannot be influenced by other variables.

**Fundamental and Technical Analysis:** Fundamental analysis is a method to evaluate the worth of the security by studying the financial data of the issuer. It scrutinizes the issuer's income and expenses, assets and liabilities, management and its position in the industry. Technical analysis is a method based on previous market information and it assumes that history tends to repeat itself. It believes that knowledge of past patterns of share prices will help to predict future prices under similar circumstances.

**Education and Training Programs:** The education and training programs such as workshops, seminars, share training classes etc. organized by various government and private agencies have significant effect on the level of investor awareness.

**Social Learning and Motives:** Many investors learn from other individuals through social interaction, which is another channel for spreading stock market information. Social interaction indeed increases the probability that individuals become aware of share market. Many investors are motivated to invest in Nepalese capital market by different things such as capital growth, family influence, dividends etc. Thus, social learning has significant impact on the level of investor awareness.

**Evaluation of Investment Alternatives:** A wide range of investment alternatives is available for both individual and institutional investors in the capital market such as treasury notes, corporate bonds, common stocks, preferred stocks etc. Evaluation of investment alternatives involves evaluating and analyzing of various alternatives in terms of rate of return and risk.

**Regulator's Rules and Regulations:** Regulating organization i.e. SEBON is one of the key players who can increase investor awareness in stock market. SEBON should develop rules and regulations that make capital market more competitive and attractive to both investors and potential investors. Thus, the rules and regulations of SEBON have significant impact on the level of investor awareness.

**Information Dissemination:** Timely and sufficient information dissemination by company, NEPSE, brokers etc. have significant impact on the level of investor awareness. Information is one of the important aspects which provides knowledge to the investors about the investment and market.

The aware investors play very important guardian or protector roles that constantly monitor the market. This helps to increase the likelihood that the regulating bodies can identify the potential deviation in the market before it occurs. More the investors are aware; they can better choose investment alternatives that are most appropriate for them in terms of their personal needs, risk perception, wealth and income level, etc. Simultaneously, awareness also helps to make the investors up-to-date with the investment environment and provides tools to assess the risks associated with their portfolios. The investor awareness helps investors to develop the skill to protect themselves against risk of loss, fraud and other malpractices.

## **CHAPTER III:**

### **RESEARCH METHODOLOGY**

The study mainly focused on finding the level of investor awareness in Nepalese capital market. So this chapter outlines the methodology followed for the determining the influences of factors affecting the investor awareness. This chapter has been divided into six sections; research plan and design, Data source, data collection tool and Data analysis.

#### **3.1 Research Plan and Design**

The research design used for the study is descriptive research design with due consideration of the purpose of the study. The descriptive research design is a fact-finding operation searching for adequate information. It is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest. The descriptive research design is used to assess the opinions, behaviors or the characteristics of a given population. It is selected for the study to learn the profile of the respondents, presentation and description of the data collection, and to describe the characteristics of the investors in Nepalese stock market.

The research plan is designed as follows:

- Concept building is done about the investor awareness in Nepalese capital market.
- Various related articles and literatures are reviewed.
- Then population and sampling method is identified and sample size is determined.
- Questionnaires are prepared.
- Analysis and interpretation of observed data is done.
- Findings are presented and report writing is done finally.

#### **3.2 Data Source**

The investors in the primary and secondary markets are considered as the population of the study. The study is based on the infinite population of equity investors in both the markets. Out of the total number of active investors with different backgrounds ,10% of the total investors are taken as samples under judgmental sampling method. Hence, only 104 investors from different

background within Kathmandu valley are randomly selected for this research. The study has undertaken judgmental sampling method for random selection of the samples. Under this method, the samples for the research, both frequent and non-frequent investors in Nepalese stock market, are selected on random basis.

### **3.3 Data Collection Tool**

This study is mainly based on primary data. The structured questionnaire was prepared and distributed to the respondents. Questionnaire was distributed through social media. The interview conducted was an informal one. The questionnaire consists of single response, multiple responses, rating scale and open-ended type of questions. The questionnaire is divided into two parts. The first part includes respondents' personal information. The second part focuses on the level of awareness of investors in Nepalese stock market. The sample questionnaire has been attached in the appendix.

The secondary data has been collected through various published and unpublished documents of concerned authorities. The sources of secondary data were as follows:

- Annual report of SEBON, magazines, newspaper and journal
- Websites of SEBON, NEPSE and NRB
- Other research and reports related to this study
- Books related to financial management

### **3.4 Data Analysis**

The analysis for this research was done by reflecting on the data of the questionnaire survey. The results from the set of questionnaires were tabulated and analyzed firstly tabulated on MS Excel. Data was tabulated according to the nature of data. This research uses Z test to test the hypothesis and Karl Pearson's coefficient of correlation analysis to find the correlation between the variables. Multiple Regression Analysis is performed to see the overall framework and impact of factors. The mean and standard deviation are calculated to illustrate the central tendency and dispersion of the variables. SPSS is seen as the popular and advanced software used for data analysis. Due to its user-friendliness, accumulated data for this study has been analyzed in Statistical Package for the Social Sciences (SPSS) software. For the further analysis



of the data, the descriptive analysis includes tables, pie-chart and bar diagrams. The statistical tools used in the research are mean, median, range, standard deviation, correlation and Z test analysis.

### **3.4.1 Descriptive Statistics**

When using descriptive statistic, sample mean of each variable was calculated and these individual mean was used to identify the influence level between the behavioral variable and individual investment decision making.

In addition to sample mean of each variable, standard deviation of each variable is also presented to quantify the scattering of an arrangement of information from its mean.

### **3.4.2 Z-Test**

In this study, the hypotheses are tested under two sample Z-test. A Z-test is a statistical test used to determine whether two population means are different when the variances are known and the sample size is large. The test statistic is assumed to have a normal distribution and nuisance parameters such as standard deviation should be known in order for an accurate z-test to be performed.

Running a Z-test on the data requires five steps:

1. State the null hypothesis and alternate hypothesis.
2. Choose an alpha level.
3. Find the critical value of z in a z table.
4. Calculate the z test statistic (see below).
5. Compare the test statistic to the critical z value and decide if you should support or reject the null hypothesis.

### **3.4.3 Correlation Analysis**

Karl Pearson's coefficient of correlation analysis has been conducted in this study to find whether two or more variables are correlated positively or negatively. Pearson's correlation coefficient shows the relationship strength between two variables.

### 3.4.4 Multiple Regression Analysis

Multiple linear regression (MLR), also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of multiple linear regression (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable.

In essence, multiple regression is the extension of ordinary least-squares (OLS) regression that involves more than one explanatory variable.

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip} + \epsilon$$

**where, for  $i=n$  observations:**

$y_i$  = dependent variable

$x_i$  = explanatory variables

$\beta_0$  = y-intercept (constant term)

$\beta_p$  = slope coefficients for each explanatory variable

$\epsilon$  = the model's error term (also known as the residuals)

#### **Coefficient of Determination ( $R^2$ )**

In statistics,  $R^2$  (or  $r^2$ ), a measure that assesses the ability of a model to predict or explain an outcome in the linear regression setting. More specifically,  $R^2$  indicates the proportion of the variance in the dependent variable ( $Y$ ) that is predicted or explained by linear regression and the predictor variable.

A high  $R^2$  value indicates that the model is a good fit for the data, although interpretations of fit depend on the context of analysis. The theoretical minimum  $R^2$  is 0. However, since linear regression is based on the best possible fit,  $R^2$  will always be greater than zero, even when the predictor and outcome variables bear no relationship to one another.

## **CHAPTER IV:**

### **RESULTS AND DISCUSSIONS**

This chapter is aimed to present and analyze the data received from the questionnaires, observations, field survey and informal discussions with investors and brokers in order to find out the conclusion. Under this study, the presentation of the result is mainly based on the primary data that were collected in order to meet the objective of the study i.e. to know the level of investor awareness. For this, the respondents are selected randomly from different background group from Kathmandu valley. The presentation and analysis of primary data collected through the questionnaire are explained below.

#### **4.1 Personal Information of Respondents**

This section deals with the demographic analysis and interpretation of primary data collected through questionnaires distributed to different investors. This helps to get insight into the demographic characteristics of the respondents under study. The personal information of respondent includes gender, age group, qualification, marital status, and occupation, annual level of investment and monthly income level.

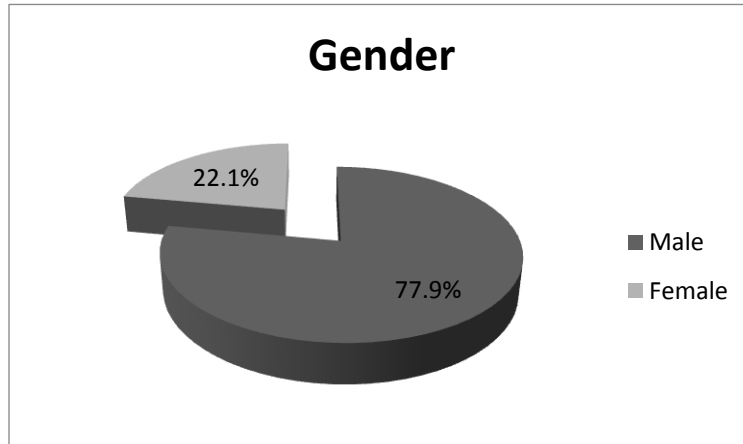
##### **4.1.1 Gender of Respondents**

**Table 1: Gender of Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	81	77.9
Female	23	22.1
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation

**Figure 4.1: Gender of Respondents**



Source : Based on the table 1

The above figure shows the gender of the respondents for this survey. Majority of the respondents i.e. 77.9% are male and the remaining 22.1% are female. Thus, it shows that the participation of male respondents was more than that of female respondents in the sample size of 104. This can be attributed to the fact that Nepal still has the male dominated society and the financial decisions in the family are mainly made by the male members.

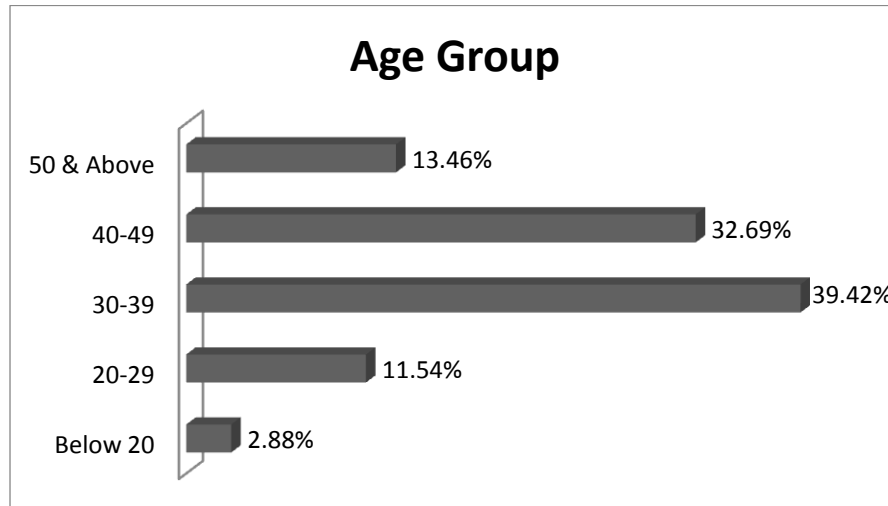
#### **4.1.2 Age Group of Respondents**

**Table 2: Age Group of Respondents**

<b>Age Group</b>	<b>Frequency</b>	<b>Percent</b>
Below 20	3	2.88
20-29	12	11.54
30-39	41	39.42
40-49	34	32.69
50 & Above	14	13.46
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation

**Figure 4.2: Age Group of Respondents**



Source : Based on the table 2

The above figure reveals the age group of the respondents for this survey. Majority of the respondents i.e. 39.42% belong to the age group of 30-39 years, 32.69% of them belong to the age group of 40-49 years, 13.46% of them belong to the age group of 50 and above years, 11.54% of them belong to the age group of 20-29 years and the rest i.e. 2.688% belong to the age group of below 20 years. Thus, it was found that more than 70% belong to the age group of 30 to 49 years. They tend to think for their future safety and security. They want to have saving for the future.

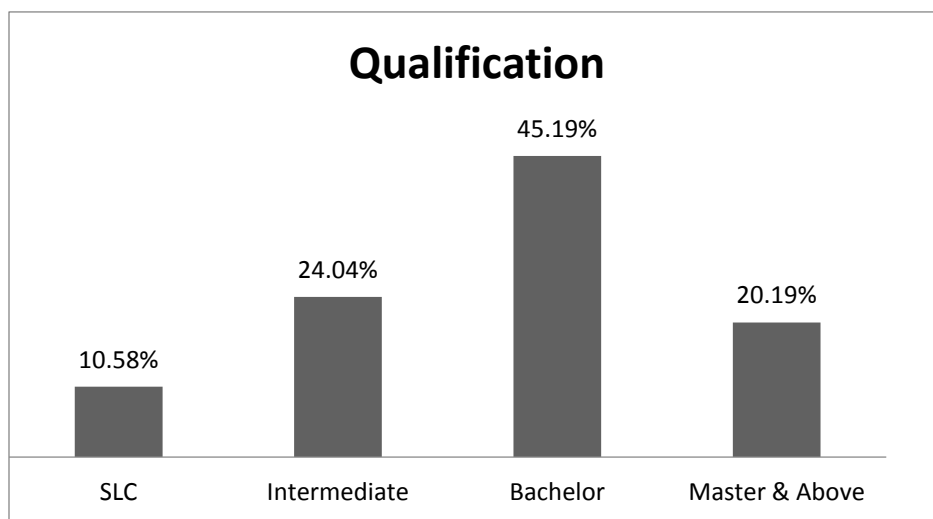
#### 4.1.3 Qualification of Respondents

**Table 3: Qualification of Respondents**

Qualification	Frequency	Percent
SLC	11	10.58
Intermediate	25	24.04
Bachelor	47	45.19
Master & Above	21	20.19
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation

**Figure 2.3: Qualification of Respondents**



Source : Based on the table 3

The illustration of the figure depicts the qualification of the respondents for this survey. Majority of the respondents i.e. 45.19% fall to Bachelor category, 24.04% of them fall to Intermediate category, 20.19% of them fall to Master and Above category and the rest i.e. 10.58% of them fall to SLC category. Thus, almost half of the respondents have a bachelor degree. It explains that knowledge in investment in stock market can come from the higher education.

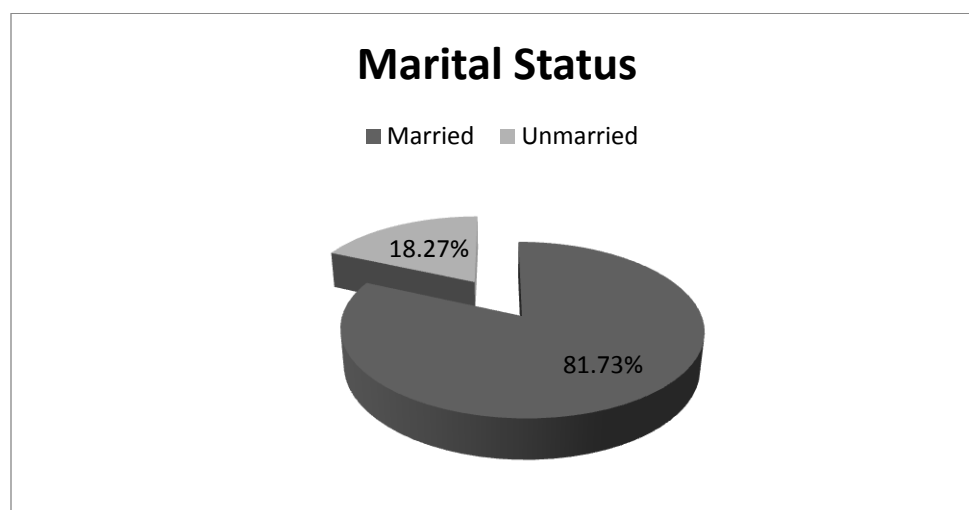
#### **4.1.4 Marital Status of Respondents**

**Table 4: Marital Status of Respondents**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percent</b>
Married	85	81.7308
Unmarried	19	18.2692
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation

**Figure 4.4: Marital Status of Respondents**



Source : Based on table 4

The above figure reveals the marital status of the respondents for this survey. Majority of the respondents i.e. 81.73% are married and the remaining 18.27% are unmarried. It explains that mainly the married people are seen involved in investing in shares. It can be due to the fact that the married people think for the secure life for their family and their children. They tend to save the money for their children’s education, their marriage, and even for their own old-age.

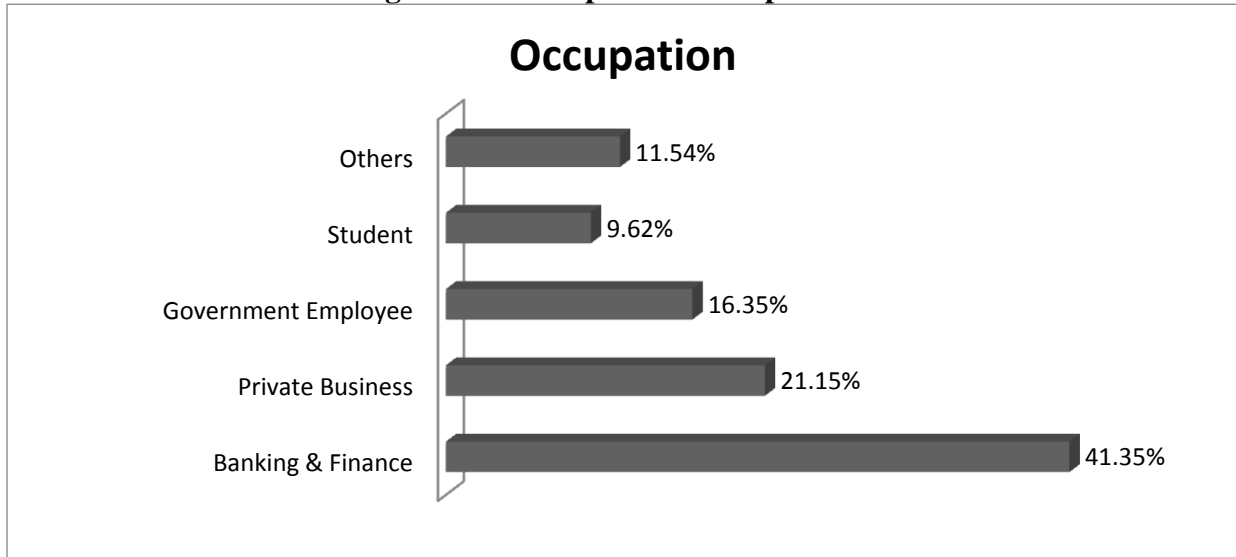
#### 4.1.5 Occupation of Respondents

**Table 5: Occupation of Respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percent</b>
Banking & Finance	43	41.35
Private Business	22	21.15
Government Employee	17	16.35
Student	10	9.62
Others	12	11.54
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author’s Calculation

**Figure 4.5: Occupation of Respondents**



Source: Based on the table 5

The above figure depicts the occupation of the respondents for this survey. Majority of the respondents i.e. 41.35% are involved in Banking and Finance, 21.15% of them have Private Business, 16.35% of them are Government Employees, 9.62% of them are Students and the rest i.e. 11.54% of them are involved in Others sectors. The Other sectors include house wife, teaching etc. The people engaging in banking and finance tend to be more aware of the investment in stocks due to the peer influences and the stock of their own firms.

#### 4.1.6 Annual Level of Investment of Respondents

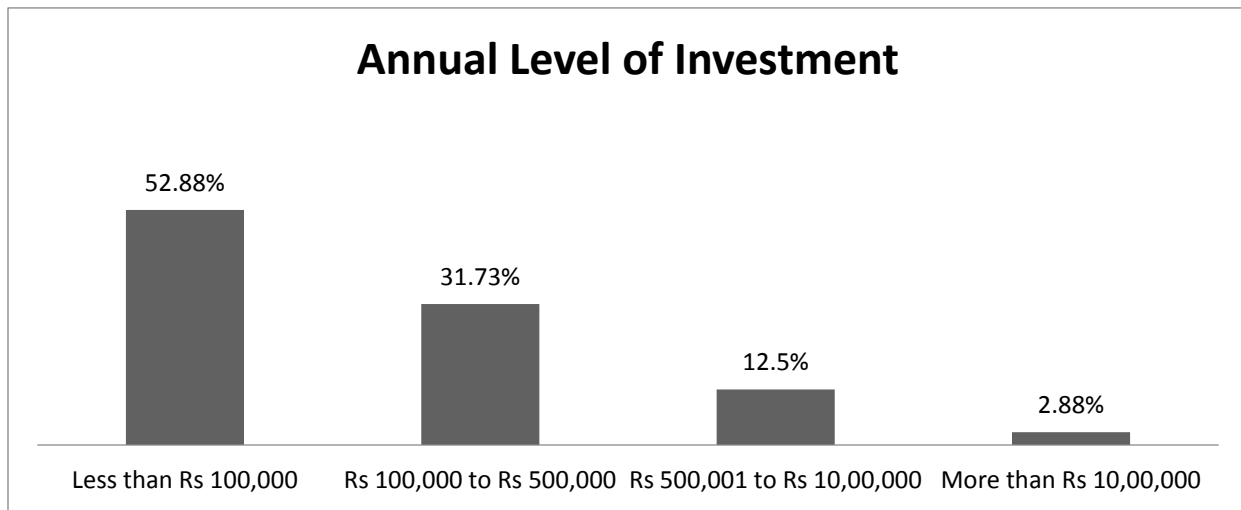
**Table 6: Annual Level of Investment of Respondents**

Annual Level of Investment	Frequency	Percent
Less than Rs 100,000	55	52.88
Rs 100,000 to Rs 500,000	33	31.73
Rs 500,001 to Rs 10,00,000	13	12.50
More than Rs 10,00,000	3	2.88
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation



**Figure 4.6: Annual Level of Investment of Respondents**



Source : Based on the table 6

The above figure reveals the annual level of investment of the respondents for this survey. Majority of the respondents i.e. 52.88% have annual level of investment of Less than Rs 100,000. Similarly, 31.73%, 12.5% and 2.88% have annual level of investment of Rs 100,000 to Rs 500,000, Rs 500,001 to Rs 10,00,000 and More than Rs 10,00,000 respectively. Thus, more than half of the respondents have annual investment of Rs 100,000. This shows that the stock market significantly requires the investor awareness programs.

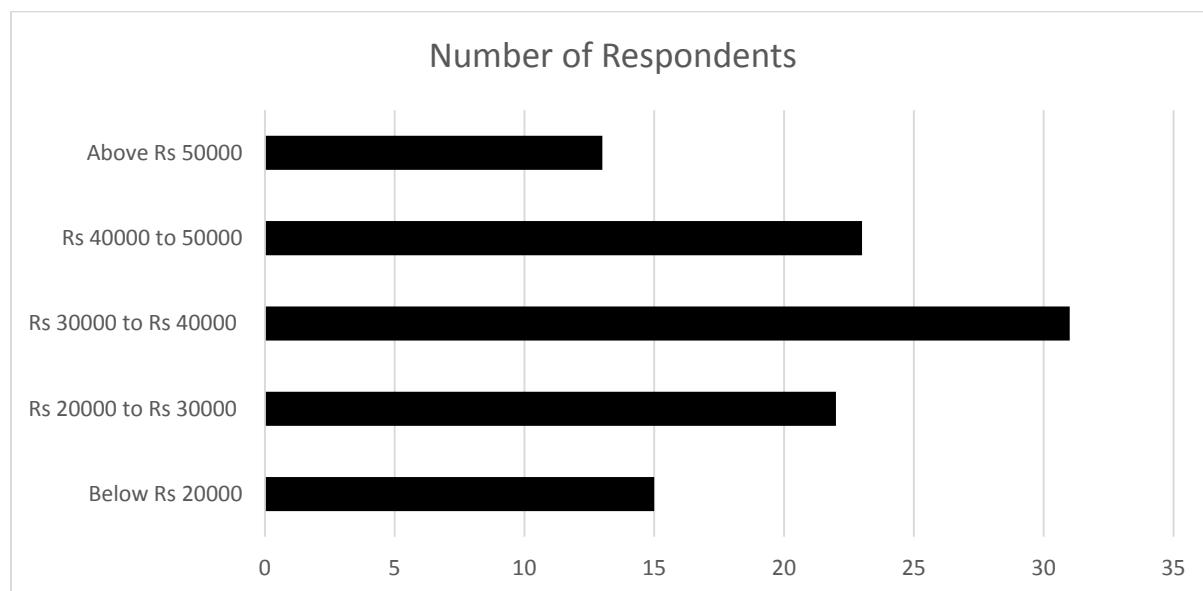
#### 4.1.7 Monthly Income Level of Respondents

**Table 7: Monthly Income Level of Respondents**

Monthly Income Level	Frequency	Percent
Below Rs 20,000	15	14.4231
Rs 20,000 to Rs 30,000	22	21.1538
Rs 30,000 to Rs 40,000	31	29.8077
Rs 40,000 to Rs 50,000	23	22.12
Above Rs 50,000	13	12.50
<b>Total</b>	<b>104</b>	<b>100</b>

Source: Author's Calculation

**Figure 4.7: Monthly Income Level of Respondents**



Source : Based on the table 7

The above figure shows the monthly income level of the respondents for this survey. Majority of the respondents i.e. 29.81% have monthly income level of Rs 20,000 to Rs 30,000. Similarly, 14.42%, 21.15%, 22.12% and 12.50% have monthly income level of Below Rs 20,000, Rs 20,000 to Rs 30,000, Rs 40,000 to Rs 50,000 and Above Rs 50,000 respectively. Thus, majority of the respondents have monthly income level of Rs 30,000 to 40000.

#### **4.2 Investor Awareness and its Determinants**

Investor awareness being the level of investor literacy or knowledge about the investment environment is affected by various factors. The major determinants or the factors affecting investor awareness under this study are fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations and information dissemination. After the personal information of respondents, the second part of questionnaire consists of questions regarding the investor awareness in Nepalese capital market. The descriptive findings are analyzed to make clear vision of factors which affect investor awareness in Nepalese capital market in the following table.

**Table 8: Investor Awareness and its Determinants**

	Mean	Median	Standard Deviation	Variance	Range	Minimum	Maximum
Investor Awareness	3.72	3.67	0.61	0.38	2.67	2.33	5
Fundamental & Technical Analysis	3.33	3.5	0.68	0.46	3.5	1.5	5
Education & Training Programs	3.42	3.33	0.58	0.34	2.67	2	4.67
Social Learning & Motives	3.31	3.4	0.43	0.18	2	2.4	4.4
Evaluation of Investment Alternatives	3.48	3.67	0.63	0.39	3	2	5
Regulator's Rules & Regulations	3.23	3.33	0.55	0.30	3	1.67	4.67
Information Dissemination	3.56	3.67	0.53	0.28	2.33	2.3	4.67

Source: Author's Calculation

The above table illustrates the descriptive statistics for investor awareness and its determinants. From the above table, investor awareness has the highest mean of 3.72 and regulator's rules and regulation has the lowest mean of 3.23. Thus, the overall level of investor awareness in Nepalese capital market is moderate i.e. 3.72 out 5 scale interval level. Information dissemination exhibits the strongest effect i.e. (mean = 3.56) on the investor awareness. Evaluation of Investment Alternatives was the second salient factor and then education and training programs, fundamental and technical analysis, and regulator's rules & regulations. Investor awareness, Evaluation of Investment Alternatives, and Information Dissemination have the highest median of 3.67. In terms of dispersion, social learning & motives has the lowest standard deviation and variance of 0.36 and 0.13 respectively whereas evaluation of investment alternatives has the greatest standard

deviation and variance of 0.44 and 0.18 respectively. Investor Awareness and Education & Training Programs have the highest range of 2.67 and social learning and motives has the lowest range of 2. Out of 5 scale, investor awareness, fundamental & technical Analysis, and evaluation of investment alternatives have the maximum value of 5 whereas fundamental & technical Analysis has the minimum value of 1.5.

### 4.3 Z Test

#### 4.3.1 Relationship Between Fundamental & Technical Analysis & Investor Awareness

The null and alternative hypotheses are stated as follows:

$H_0$ : There is no significant relationship between fundamental and technical analysis and investor awareness. In this study, the hypotheses are tested under two sample Z test. Based on the analysis and findings of the discussion, the proposed hypotheses are analyzed below.

$H_1$ : There is significant relationship between fundamental and technical analysis and investor awareness.

**Table 9: Relationship between Fundamental & Technical Analysis & Investor Awareness**

z-Test: Two Sample Means

	Investor Awareness (Y)	Fundamental & Technical Analysis (X1)
Mean	3.717949	3.331731
Known Variance	0.3792	0.4641
Observations	104	104
Hypothesized Mean Difference	0	
Z	4.28902	
P(Z<=z) one-tail	8.97E-06	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	1.79E-05	
z Critical two-tail	1.959964	

Source: Author's Calculation

The above table depicts the Z statistics between investor awareness and fundamental and technical analysis. The calculated value of Z is 4.29 and the tabulated or critical value of Z at 5%

level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it can be concluded that there is significant difference between fundamental and technical analysis and investor awareness.

#### 4.3.2 Relationship Between Education & Training Programs & Investor Awareness

The null and alternative hypotheses are stated as follows:

$H_0$ : There is no significant relationship between education and training programs and investor awareness.

$H_1$ : There is significant relationship between education and training programs and investor awareness.

**Table 10: Relationship between Education & Training Programs & Investor Awareness**

z-Test: Two Sample Means

	<i>Investor Awareness (Y)</i>	Education & Training Programs (X2)
Mean	3.717949	3.416667
Known Variance	0.3792	0.3403
Observations	104	104
Hypothesized Mean Difference	0	
Z	3.622218	
P(Z<=z) one-tail	0.000146	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.000292	
z Critical two-tail	1.959964	

Source: Author's Calculation

The above table reveals the Z statistics between investor awareness and education and training programs. The calculated value of Z is 3.62 and the tabulated or critical value of Z at 5% level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it can be concluded that there is significant relationship between education and training programs and investor awareness.

### 4.3.3 Relationship Between Social Learning & Motives & Investor Awareness

The null and alternative hypotheses are stated as follows:

H<sub>0</sub>: There is no significant relationship between social learning and motives and investor awareness.

H<sub>1</sub>: There is significant relationship between social learning and motives and investor awareness.

**Table 11: Relationship between Social Learning & Motives & Investor Awareness**

z-Test: Two Sample Means

	<i>Investor Awareness (Y)</i>	Social Learning & Motives (X3)
Mean	3.717949	3.309615
Known Variance	0.3792	0.184
Observations	104	104
Hypothesized Mean Difference	0	
Z	5.548814	
P(Z<=z) one-tail	1.44E-08	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	2.88E-08	
z Critical two-tail	1.959964	

Source: Author's Calculation

The above table shows the Z statistics between investor awareness and social learning and motives. The calculated value of Z is 5.55 and the tabulated or critical value of Z at 5% level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it can be concluded that there is a significant difference between social learning and motives and investor awareness.

#### 4.3.4 Relationship Between Evaluation of Investment Alternatives & Investor Awareness

The null and alternative hypotheses are stated as follows:

H<sub>0</sub>: There is no significant relationship between evaluation of investment alternatives and investor awareness.

H<sub>1</sub>: There is significant relationship between evaluation of investment alternatives and investor awareness.

**Table 12: Relationship between Evaluation of Investment Alternatives & Investor Awareness**

Z-Test: Two Sample Means

	Investor Awareness (Y)	Evaluation of Investment Alternatives (X4)
Mean	3.717949	3.477564
Known Variance	0.3792	0.3921
Observations	104	104
Hypothesized Mean Difference	0	
Z	2.791333	
P(Z<=z) one-tail	0.002625	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.005249	
z Critical two-tail	1.959964	

Source: Author's Calculation

The above table depicts the Z statistics between investor awareness and evaluation of investment alternatives. The calculated value of Z is 2.79 and the tabulated or critical value of Z at 5% level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it can be concluded that there is significant difference between evaluation of investment alternatives and investor awareness.

### 4.3.5 Relationship Between Regulator’s Rules & Regulations & Investor Awareness

The null and alternative hypotheses are stated as follows:

H<sub>0</sub>: There is no significant relationship between regulator’s rules and regulations and investor awareness.

H<sub>1</sub>: There is significant relationship between regulator’s rules and regulations and investor awareness.

**Table 13: Relationship between Regulator’s Rules & Regulations & Investor Awareness**

z-Test: Two Sample Means

	<i>Investor Awareness (Y)</i>	Regulator’s Rules & Regulations (X5)
Mean	3.717949	3.227564
Known Variance	0.3792	0.3005
Observations	104	104
Hypothesized Mean Difference	0	
Z	6.065895	
P(Z<=z) one-tail	6.56E-10	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	1.31E-09	
z Critical two-tail	1.959964	

Source: Author’s Calculation

The above table illustrates the Z statistics between investor awareness and regulator’s rules and regulations. The calculated value of Z is 6.06 and the tabulated or critical value of Z at 5% level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it can be concluded that there is significant difference between regulator’s rules and regulations and investor awareness.

### 4.3.6 Relationship between Information Dissemination & Investor Awareness

The null and alternative hypotheses are stated as follows:

H<sub>0</sub>: There is no significant relationship between information dissemination and investor awareness.

H<sub>1</sub>: There is significant relationship between information dissemination and investor awareness.



**Table 14: Relationship between Information Dissemination & Investor Awareness**

z-Test: Two Sample Means

	Investor Awareness (Y)	Information Dissemination (X6)
Mean	3.717949	3.557692
Known Variance	0.3792	0.2771
Observations	104	104
Hypothesized Mean Difference	0	
Z	2.017348	
P(Z<=z) one-tail	0.02183	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.043659	
z Critical two-tail	1.959964	

Source: Author's Calculation

The above table shows the Z statistics between investor awareness and information dissemination. The calculated value of Z is 2.02 and the tabulated or critical value of Z at 5% level of significance under two-tail is 1.96. Since, the calculated value of Z is greater than the critical value of Z, so we reject the null hypothesis. Thus, it is concluded that there is significant difference between information dissemination and investor awareness.

#### **4.4 Correlation Analysis**

Karl Pearson's coefficient of correlation analysis has been conducted in this study to find whether two or more variables are correlated positively or negatively. The following table shows the correlation analysis between variables under study.

#### 4.4.1 Correlation Analysis Between Fundamental & Technical Analysis & Investor Awareness

**Table 15: Correlation between Fundamental & Technical Analysis & Investor Awareness**

		Investor Awareness	Fundamental & Technical Analysis
Investor Awareness	Pearson Correlation	1	.275**
	Sig. (2-tailed)		.004
	N	105	105
Fundamental & Technical Analysis	Pearson Correlation	.275**	1
	Sig. (2-tailed)	.004	
	N	105	105

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

Source: Author's Calculation

The above table reveals that the Pearson product moment correlation index obtained is  $r=0.275$ . So, this index of correlation implies that there is positive correlation between investor awareness and fundamental & technical analysis. It means that individual's investor awareness is positively influenced with increase in the investors' knowledge of fundamental & technical analysis. Here, "r" is positive with the significance or p-value=0.004 which is less than alpha =0.01 which shows that fundamental & technical analysis and investor awareness are significantly related to each other.

#### 4.4.2 Correlation Analysis Between Education & Training Programs & Investor Awareness

**Table 16: Correlation between Education & Training Programs & Investor Awareness**

		Investor Awareness	Education and Training Programs
Investor Awareness	Pearson Correlation	1	.366**
	Sig. (2-tailed)		.000
	N	105	105
Education and Training Programs	Pearson Correlation	.366**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: Author's Calculation

As per the above table, the Pearson product moment correlation index obtained is  $r=0.366$ . So, this index of correlation implies that there is positive correlation between investor awareness and education & training programs. It means that individual's investor awareness is positively influenced with increase in the education, seminar, trainings and workshops programs. The "r" is positive with the significance or p-value=0.000 which is less than  $\alpha =0.01$  which shows that education & training programs and investor awareness are significantly related to each other.

#### 4.4.3 Correlation Analysis Between Social Learning & Motives & Investor Awareness

**Table 17: Correlation between Social Learning & Motives & Investor Awareness**

		Investor Awareness	Social Learning & Motives
Investor Awareness	Pearson Correlation	1	.297**
	Sig. (2-tailed)		.002
	N	105	105
Social Learning & Motives	Pearson Correlation	.297**	1
	Sig. (2-tailed)	.002	
	N	105	105

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

Source: Author's Calculation

According to the above table, the Pearson product moment correlation index obtained is  $r=0.297$ . So, this index of correlation implies that there is positive correlation between investor awareness and social learning & motives. It means that individual's investor awareness is positively influenced with increase in the opinion from peers/friends, fellow investors, and the personal motives. The "r" is positive with the significance or p-value=0.002 which is less than alpha =0.01 which shows that social learning & motives and investor awareness are significantly related to each other.

#### 4.4.4 Correlation Analysis Between Evaluation of Investment Alternatives & Investor Awareness

**Table 18: Correlation between Evaluation of Investment Alternatives & Investor Awareness**

		Investor Awareness	Evaluation of Investment Alternatives
Investor Awareness	Pearson Correlation	1	.353**
	Sig. (2-tailed)		.000
	N	105	105
Evaluation of Investment Alternatives	Pearson Correlation	.353**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: Author's Calculation

As per the above table, the Pearson product moment correlation index obtained is  $r=0.353$ . So, this index of correlation implies that there is positive correlation between investor awareness and evaluation of investment alternatives. It means that individual's investor awareness is positively influenced with increase in the evaluation of different investment alternatives. The "r" is positive with the significance or p-value=0.000 which is less than  $\alpha =0.01$  which shows that evaluation of investment alternatives and investor awareness are significantly related to each other.

#### 4.4.5 Correlation Analysis Between Regulator’s Rules & Regulations & Investor Awareness

**Table 19: Correlation between Regulator’s Rules & Regulations & Investor Awareness**

		Investor Awareness	Regulator’s Rules & Regulations
Investor Awareness	Pearson Correlation	1	.243*
	Sig. (2-tailed)		.012
	N	105	105
Regulator’s Rules & Regulations	Pearson Correlation	.243*	1
	Sig. (2-tailed)	.012	
	N	105	105

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

Source: Author’s Calculation

The above table reveals that the Pearson product moment correlation index obtained is  $r=0.243$ . So, this index of correlation implies that there is positive correlation between investor awareness and regulator’s rules & regulations. It means that individual’s investor awareness is positively influenced with increase in the investors’ knowledge of rules and regulations set by the regulatory bodies. Here, “r” is positive with the significance or p-value=0.012 which is less than alpha =0.05 which shows that regulator’s rules & regulations and investor awareness are significantly related to each other.

#### 4.4.6 Correlation Analysis Between Information Dissemination & Investor Awareness

**Table 20: Correlation between Information Dissemination & Investor Awareness**

		Investor Awareness	Information Dissemination
Investor Awareness	Pearson Correlation	1	.417**
	Sig. (2-tailed)		.000
	N	105	105
Information Dissemination	Pearson Correlation	.417**	1
	Sig. (2-tailed)	.000	
	N	105	105

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

Source: Author's Calculation

According to the above table, the Pearson product moment correlation index obtained is  $r=0.417$ . So, this index of correlation implies that there is positive correlation between investor awareness and information dissemination. It means that individual's investor awareness is positively influenced with increase in the spread of organizational, market and trading information. The "r" is positive with the significance or p-value=0.000 which is less than  $\alpha =0.01$  which shows that information dissemination and investor awareness are significantly related to each other.

#### 4.4.7 Summary of Correlation Analysis

**Table 21: Summary of Correlation Analysis between Dependent and Independent Variables**

<b>Variables</b>	<b>Correlation Coefficient</b>
Investor Awareness and Fundamental and Technical Analysis	0.2753
Investor Awareness and Education and Training Programs	0.3663
Investor Awareness and Social Learning and Motives	0.2971
Investor Awareness and Evaluation of Investment Alternatives	0.3527
Investor Awareness and Regulator's Rules and Regulations	0.2431
Investor Awareness and Information Dissemination	0.4167

Source: Author's Calculation

The above table illustrates the correlation analysis between the variables under study. The findings show that correlation between dependent variable and independent variables are positively correlated. The results also suggest that correlations within different components are low. The highest correlation is between investor awareness and information dissemination and the lowest correlation is between investor awareness and regulator's rules and regulations.

#### 4.5 Multiple Regression

**Table 22: Summary of Regression Statistics**

<i>Regression Statistics</i>	
Multiple R	0.522823272
R Square	0.273344173
Adjusted R Square	0.22839639
Standard Error	0.540933256
Observations	104



	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.568265322	0.557516568	1.019279703	0.310605715	-0.53825074	1.674781382	-0.53825074	1.674781382
X1	0.083276898	0.093242783	0.893118964	0.374003926	-0.10178422	0.268338012	-0.10178422	0.268338012
X2	0.105672317	0.119833156	0.881828701	0.380049418	-0.13216333	0.343507961	-0.13216333	0.343507961
X3	0.310437107	0.133324019	2.328440965	0.021965187	0.045825836	0.575048379	0.045825836	0.575048379
X4	0.077908216	0.110273194	0.706501858	0.481569724	-0.14095355	0.296769981	-0.14095355	0.296769981
X5	0.021648543	0.111219812	0.194646463	0.846076821	-0.199092	0.242389084	-0.199092	0.242389084
X6	0.321261568	0.124731719	2.575620473	0.011515305	0.073703634	0.568819502	0.073703634	0.568819502

Source: Author's Calculation

From the above table we can obtain the equation  $Y = 0.0833X_1 + 0.1057X_2 + 0.3104X_3 - 0.0779X_4 + 0.0216X_5 + 0.3213X_6$ . Since the P-value of X3 and X6 is less than 0.05, so those two factors have much more influence in the equity investor awareness whereas other factors have less influence on the investors awareness. Those two factors are social learning and motives, and information dissemination. Similarly from the multiple regression analysis (MRA) or regression equation model, with the all other things remaining constant, equity investor awareness is increased by 0.0833 times the fundamental and technical analysis when fundamental and technical analysis is increased by 1. Similarly equity investor awareness is increased by 0.1057 times the education and training programs when education and training programs is increased by one with all the other things remaining constant. Similarly equity investor awareness is increased by the 0.3104 times the social learning and motives when social learning and motives is increased by one with all the other things remaining constant. Similarly equity investor awareness of the investor is increased by the 0.0779 times the evaluation of investment alternatives when evaluation of investment alternatives is increased by the one with all the other things remaining constant. All the other things remaining constant, equity investor awareness of the investor is increased by the 0.0216 times the regulator's rules & regulations when regulator's rules & regulations is increased by the one Finally, equity investor awareness of the investor are increased by the 0.3213 times the information dissemination when information dissemination is increased by the one with all the other things remaining constant. The value of R square = 0.2733 shows that the 27 percent of change in Y i.e investors awareness is caused by these six factors that influence the investor's awareness while other changes are due to the other unknown variables that are not included in the model. The value of R square can be improved by adding more variables in further research.

## **CHAPTER V:**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter includes the summary of the findings, conclusion drawn and the recommendations to make further improvement for creating investor awareness among the investors in stock market.

#### **5.1 Summary of the Findings**

This study has been taken to know the opinion of investors regarding the factors which influence the investor awareness in Nepalese stock market. For this study, respondents were chosen from different brokerage firms. The total numbers of respondents were 104. Investor awareness is the dependent variable which is influenced by different independent variables such as fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations and information dissemination. In order to conduct this study, descriptive research design has been adopted. The source of information for this research was primary data collection from the investors who invested in the capital market through Securities firm. The major source of the primary data was structured questionnaires which were distributed and collected from the investors who invested in share market. For the purpose of analysis of the data, the data collected from the survey were coded for statistical analysis. SPSS tool was used to organize the data, determine significant relationships and identify difference or similarities with & between different variables under study.

Based on the result from the analysis, the major findings of the study were:

- Majority of the respondents are male. 77.9% of respondents are male where as 22.1% respondents are female. This shows that the investment sector is male dominated.
- Most of the respondents (i.e. over 70%) fall into the age group of 30-39 years and 40-49 years. This shows that mostly the respondents are middle aged i.e. from 30 to 49 years of age.
- In terms of qualification status, almost half of the respondents i.e. 45.15% fall into bachelor category. Among them, 24.04%, 20.19.67% and 10.58% fall into intermediate, master and above and SLC category respectively.

- In terms of marital status, 81.73% of the respondents are married and the remaining 18.27% of the respondents are unmarried.
- In terms of occupation, 41.35%, 21.15%, 16.35%, 11.54% and 9.62% of the respondents are involved in banking and finance, private business, government employee, others and student sector respectively.
- Majority of the respondents (i.e. 52.88%) had annual level of investment of less than Rs 100,000. Among them, 31.73%, 12.50% and 2.88% had annual level of investment of Rs 100,000 to Rs 500,000, Rs 500,001 to Rs 10,00,000 and more than Rs 10,00,000 respectively.
- 29.81% of the respondents had monthly income level of Rs 30,000 to Rs 40,000. Among them, 14.42%, 21.15%, 22.11% and 12.50% had monthly income level of less than Rs 20,000, Rs 20,000 to Rs 30,000, Rs 40,000 to Rs 50,000 and more than 50,000 respectively.
- Information dissemination exhibited the strongest effect i.e. (mean = 3.56) on the investor awareness. Evaluation of Investment Alternatives was the second salient factor and then education and training programs, fundamental and technical analysis, and regulator's rules & regulations. The overall mean of investor awareness was 3.72.
- The critical Z test value is 1.96 and the calculated Z test value for fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations, information dissemination are 4.29, 3.62, 5.55, 2.79, 6.06 and 2.02 respectively which are greater than critical value. This concludes that alternative hypothesis is accepted.
- There is significant relationship between fundamental and technical analysis and investor awareness.
- There is significant relationship between education and training programs and investor awareness.
- There is significant relationship between social learning and motives and investor awareness.
- There is significant relationship between evaluation of investment alternatives and investor awareness.

- There is significant relationship between regulator's rules and regulations and investor awareness.
- There is significant relationship between information dissemination and investor awareness.
- Karl Pearson correlations analysis was performed among the variables under study. Results suggested that correlation within different components were low.
- The correlations among the variables were positive. The lowest correlation is between investor awareness and regulator's rules and regulations i.e. 0.2431 and the highest correlation is between investor awareness and information dissemination consisting of 0.4167.

## **5.2 Conclusions**

In this study, investor awareness and the factors affecting investor awareness were examined. Investor awareness is crucial for the investment decision making and sustainable growth of capital market. The result of the study showed the level of investor awareness is moderate. There is positive correlation between investor awareness and the factors affecting it. It is found that most of investor considered risk and return as the most important aspects in investment decision making. Investor awareness level is affected by fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations and information dissemination. Investors with higher educational background have more investment than those with lower level of education.

Nepalese securities market and brokerage firms are lagging in the use of information technology. Initiatives should be directed towards making better use of such technology, which helps to adopt electronic corporate reporting system that saves both time and cost. Brokerage firms, SEBON and NEPSE should develop web sites containing all kinds of corporate, market and trading information and keep them updated.

Many investors face the problems while making investment on share market. Some of the problems they faced as per their opinion are lack of awareness, lack of analytical skills, lack of funds, stock market volatility, political instability etc. Due to these problems, they did not want to hold their investment for long term. Sometimes, the corporate information is not disclosed on time and there is inadequate dissemination of information, Nepalese securities

market tend to have the characteristics of rumor-based market. In such a market, investor will make investment decision based on general hearsay, which results in formation of market price of shares differently than what it should be.

It can be concluded that there is statistically significant relationship between investor awareness, fundamental and technical analysis, education and training programs, social learning and motives, evaluation of investment alternatives, regulator's rules and regulations and information dissemination. Most of the Nepalese investors use only fundamental analysis for analyzing investment on stock. They analyze debt/equity, price/earnings, assets and liabilities, dividends, cash flow, sales, earnings estimates, growth, etc. Majority of them do not conduct technical analysis such as trend analysis, momentum analysis, chart analysis, moving average etc due to lack of knowledge. Thus, trainings, workshops & seminars regarding investments should be carried on a regular basis in various parts of the country. During such programs, the investors should be educated about technical aspects of investment, investor rights and obligations, new financial products, benefits of investing etc.

During the research, the investors suggested some techniques which can be helpful to create investor awareness: Publications for investors; Facilities of hotlines and toll free numbers; websites with up-to-date information; Investor alerts system; Financial awareness curriculum; public/community meetings; Plain language disclosure documents. Further research can be conducted by extending the scope of the study to cover the variables such as period of residency in major cities, behavioral aspects etc. Also when asked about the factors that they consider for choosing and staying with the brokerage house, the communication/transparency and co-operation/relationship tend to have strong impact on the investors. The commission charged was another important factor. Similarly, they also were affected by the peers/family recommendations and the location of the firm. So in order to attract more customers and retain the existing clients, Securities firm must consider these factors too.

### **5.3 Recommendations**

Brokers are also one of the important players in Nepalese stock market that can play a significant role for the development of stock market. The brokerage house can play a vital role in creating investor awareness in the market. So Securities firm should provide timely and sufficient trading information to investors as well as potential investors. It should provide right and authentic information about all the companies to help investors choose the security of particular company that best fit his personal risk and return category but should not try to influence the investor's decision for their personal benefits.

Since there is the significant relationship between dependent variable and independent variables, the brokerage firm should focus more on those independent variables which it can control to the extent. Since the information dissemination has the high correlation than that of other independent variables, Securities firm should seek to influence the investor by providing the adequate, authentic, valid, and timely information about market, firms, and the trading procedures to their clients. The Securities firm needs to develop its own website so that it can provide its customers with up-to-date information. When they are provided with reliable and timely information, then they start to engage in the stock market transaction from the brokerage firm which ultimately helps the firm to increase in its revenue from commission and increase in its overall profits. Also the evaluation of investment alternatives and education & training programs has significant impact on the investor awareness. These two independent variables are related to each other. The education & training program can help to increase the knowledge of evaluation among investors. So, Securities firm can conduct or organize various educational and training programs, conferences, seminars and workshops. It can also collaborate with the regulatory bodies like SEBON and NEPSE, and other various agencies to organize such events and programs in order to promote the investor awareness. The training programs can also help the investor to develop their skills on fundamental and technical analysis. The brokerage firm can also organize various events like seminars and conferences to bring the various investors together. This can also help in the social learning which is another factor influencing the investor's awareness. It provides the different investors the opportunities to interact and share their knowledge and information. The investors can also get the opportunity to receive the expert advices and suggestions in such conferences and seminars. The rules and regulations of the

regulators also seem to influence the investor awareness. So the brokerage firm should adhere and comply with such laws and operate by remaining strictly within the boundary of such laws. It should not neglect and ignore the investors' interests and the interest of various stakeholders.

Therefore, Securities firm should give due considerations to these various independent variables and prioritize the various factors. As the information dissemination, evaluation, and education & training programs seem to have significant effect on the investor awareness, they should be given much attention. The investor awareness is the foundation for making the investment decisions. So it has to focus on these various factors which influence the investor's awareness and ultimately lead to the engage of the investors in the stock transaction with the brokerage firm.

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## ANNEXES

### Appendix A: Summary of correlation analysis

	<i>Y</i>	<i>X1</i>	<i>X2</i>	<i>X3</i>	<i>X4</i>	<i>X5</i>	<i>X6</i>
<i>Y</i>	1						
<i>X1</i>	0.275328	1					
<i>X2</i>	0.366331	0.430539	1				
<i>X3</i>	0.297062	0.070378	0.172652	1			
<i>X4</i>	0.352679	0.467064	0.412651	0.316473	1		
<i>X5</i>	0.243126	0.216196	0.388782	0.245244	0.399992	1	
<i>X6</i>	0.416731	0.304816	0.5427	0.09928	0.411374	0.292393	1

*X1* = Fundamental & Technical Analysis

*X2* = Education and Training Programs

*X3* = Social Learning & Motives

*X4* = Evaluation of Investment Alternatives

*X5* = Regulator's Rules & Regulations

*X6* = Information Dissemination

*Y* = Investor Awareness

## Appendix B: Survey Questionnaire

Dear respondent,

I am a student of M.A Economics, Tribhuvan University. I am undergoing my Master's Thesis entitled "*Factors Influencing Investor Awareness in Nepalese Stock Market*".

I would be very pleased if you could participate in my survey. This survey consists of different questions. I request you to kindly spare a few minutes and help me in the survey. Your cooperation will be highly obliged. The knowledge and experience you have in this area plays the vital role in providing the necessary information to make this study a success. This study is carried out purely for academic purpose and the information given will be treated confidentially. If you have any queries please do not hesitate to contact me. (Ph.No: 9849502971; E-mail: dipuvolves.ds@gmail.com)

### PART A: PERSONAL INFORMATION

*Please tick where appropriate*

1. Gender: Male  Female

2. Age:

Below 20  20-30  30-40  40-50  50 & Above

3. Qualification:

SLC and Below  Intermediate  Bachelor  Master & Above

4. Marital Status: Married  Unmarried

5. Occupation:

Banking & Finance  Private Business  Others   
Government Employee  Student

6. Annual Level of Investment:

Less than Rs 100,000  Rs 100,000 - Rs 500,000   
Rs 500,000 -Rs 10,00,000  More than Rs 10,00,000

7. Monthly Income Level:

Below Rs 20,000  Rs 20,000 -Rs 30,000   
Rs 30,000 -Rs 40,000  Rs 40,000 - Rs 50,000   
  
Above Rs 50,000

**PART B: QUESTIONS TO MEASURE LEVEL OF INVESTOR AWARENESS**

8. Please indicate the extent on a scale 1-5 to which you agree or disagree with the following statements. Please tick or rate your answer as per your favourability/opinion.

*1 = Strongly Disagree,                      3 = Not Sure,                      5 = Strongly Agree.*  
*2 = Disagree,                                      4 = Agree,*

<b>Investor Awareness</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
a) I usually follow the stock market through financial news paper, TV, websites, mobile app every week.					
b) I always look at and analyze company news prospects before making a decision to buy or sell.					
c) My investment in stocks is largely based on investment knowledge and past experiences/ I understand the role of brokerage firms.					

<b>Fundamental &amp; Technical Analysis</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
<b><i>Fundamental Analysis</i></b> a) I analyze debt/equity, price/earnings, assets and liabilities, dividends, cash flow, sales, earnings estimates, growth, etc.					
<b><i>Technical Analysis</i></b> b) I conduct trend analysis, momentum analysis, chart analysis, moving average etc.					

<b>Information Dissemination</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
a) I usually collect information from different sources.					
b) NEPSE/brokerage firm has been providing sufficient market and trading information.					
c) I can easily access the latest reports, prospectus and financial statements of any company listed on NEPSE.					

<b>Education &amp; Training Programs</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
a) Basic investment courses should be introduced from school level.					
b) I usually/would attend trainings, seminars, conferences & workshops organized by the regulatory bodies.					
c) Trainings & workshops conducted by SEBON are effective in creating awareness among investors.					

<b>Evaluation of Investment Alternatives</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
a) I evaluate investment alternatives in terms of risk and return, marketability and future growth of their investment.					
b) I usually prefer to invest my money on common stock because it can be bought and sold quickly at a fair price.					
c) I analyze and revise my investment in different alternatives.					

<b>Social Learning &amp; Motives</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Not Sure</b>	<b>Agree</b>	<b>Strongly Agree</b>
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	1	2	3	4	5
a) My peers influence me in the participation on the stock market.					
b) Interaction with fellow investors has helped me in learning more about capital market in Nepal.					
c) I often consider the information that majority of investors focus on as a basis of trading on the stock market.					
d) I consider my capital growth as strong motive behind my investment.					
e) I desire for a safe future and keep investing on shares and capital market.					

<b>Regulator's Rules &amp; Regulations</b>	<b>Strongly Disagree 1</b>	<b>Disagree 2</b>	<b>Not Sure 3</b>	<b>Agree 4</b>	<b>Strongly Agree 5</b>
a) I am aware of the rules, regulations and laws governing investment in Nepalese capital market.					
b) The rules & regulations of SEBON are adequate to promote & protect investors' investment.					
c) SEBON is effectively regulating the capital market in Nepal.					

9. In your view, what can be done to make the investors more aware about the Nepalese capital market? Do you have any suggestions?

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*Thank You for Your Valuable Time.*