“A Study on an Individual Investor’s Behavior in Nepalese Capital Market "

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DECLARATION

I hereby declare that the work reported in this thesis entitled **"A Study on an Individual Investor's Behavior in Nepalese Capital Market"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Masters Degree in Business Studies (M.B.S) under the supervision of **Prof. Dr. Bal Krishna Shrestha.**

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Investment opportunities in the stock market have been characterized by increasing volatility and fluctuations during the past couple of years. From an investors point of view the vulnerability of the market has lead to increased uncertainty and unpredictability as market conditions cannot be always be judged by standard financial measures and tools. Market participants for a long time have relied on the notion of efficient market and rational investor behavior while making financial decisions. However, the idea of fully rational investor who always maximizes their utility and demonstrates perfect self control is becoming inadequate. During recent years, examples of market inefficiency in the form of abnormality and irrational investor behavior have been frequently observed. A provision has also been made that at least 15% to 20% of the shares should be provided to the small investors (Shrestha etal: 2003).

One of such instance is the recent fluctuations in the stock market and the halt in the investors in the secondary market with declining confidence of the investors. The rapid decline in the stock markets severely affects the business, investors and customer's confidence. (Bist: 2010). The negative attitude of the government (lack of encouraging attitude of government towards share market), industrial insecurity in the country, has discouraged new investors in the secondary market and even the old investors are looking for green pastures. Due to the discouraging economic environment and slack in the stock market, the investors are trying to keep their investment return safe and hence, limiting the investments in the secondary market.

Imbalance economic development of the country has become barrier on the pace to economic prosperity. The imbalance economic development exists if the scattered money through out the economy is not mobilized properly. It is clear that overall development and prosperity of any country depends upon the effective mobilization of capital recourses to productive sectors. To get rid from these problem a mechanism work in the country that is called financial market.

Financial market is concerned with accumulation and mobilization of capital resources, which act as a lifeblood for any productive activities. It plays as an active market where capital resources are transferred from savers to users, where savers let users to use their savings in expectation to get multiplied returns from the users in specified time period. It is popularly

categorized on the basis of time periods over which, the funds are used as money market and capital market, which are taken as causative elements for the growth and prosperity of economy. Equity is the major instrument of financial market. There are two types of equities: common stock and preferred stock. Common stock represents an ownership position. Preferred stock is related with respect to assets and dividends.

Capital market refers to the link between lenders and borrowers of funds, arranging fund transfer process to seek each others benefit. It is an institution where quoted investment (stocks and shares) may be exchanged between buyers an seller. The term "Stocks and shares" is now a days rather anachronistic, but still fired in the popular imagination. Stock are generally thought of as referring to fixed interest capital in units of dollar 100 and quoted at so much percent , while the term shares is used for dividend paying capital, either ordinary or preferred. But the distinction is not precise one, stock can be quoted in units of any amount, and it can embrace dividend paying capital; unlike share capital, stock transfers can take place in fraction of a unit. (Winfield and Curry: 1985).

Capital market is a market of longer term securities, which have maturities more than one year while money market is the market of short term securities maturing at most one year. Both the market plays an important role for establishment and operation of financial activities.

After re-establishment of democracy in 2046 B.S the government has introduced the liberalization policy for the economic and financial development of the country. Under the enhanced structural adjustment facility (ESAF), with the first amendment of the "security exchange act in 1992 A.D. the government initiated the policy to reform the capital market with amendment in the act. The Security Board of Nepal (SEBON) was established to regulate and develop the transaction of Securities. Likewise Nepal Stock Exchange (NEPSE) is the successor of securities exchange centre was established to facilitate the transaction of the securities in its floor through registered member's intermediaries such as broker security dealers and market makers. NEPSE stared its organized open out cry system in its floor on 13th January 1994. However, so far the transaction of the government securities has not take place. There are 240 companies securities listed on NEPSE up to September 18, 2011.

Money market comprises of short term loans like bank loan, T-bills and promissory notes for short term financial needs. Security transaction is a major component of capital market system. Security market exists in order to bring together buyers and sellers of securities meaning their mechanism is created to facilitate the exchange of financial asset

Government issues various types of securities in the market .Treasury bills, Development Bonds, National Bonds, Citizen Savings Bonds and special bond are government securities. Nepal Rastra Bank (NRB) has been actively issuing various government securities in the country. It was established as Central Bank of Nepal under the NRB Act.1995 on 26th April 1956. It is one of the most important issuance of the government to fulfill the deficit budgetary system in the country.

However, approaches based on perfect prediction, completely flexible price, and complete knowledge of investment decision of other players in the market is increasingly unrealistic in today's global financial market. Behavior finance is a new paradigm of finance theory which seeks to predict and understand systematic financial implications of psychological decision making (Olsen 1998). By understanding the human behavior and psychological mechanisms involved in financial decision making, standard finance models may be improved to better reflect and explain the reality.

"Securities" means any shares, stock ,bonds, debenture stock or collective investment scheme certificate issued by a corporate body or treasury bond, saving bonds or the bond issued by the government of Nepal or by the corporate body against the guarantee of the government of Nepal.(Security Exchange Act: 2063). It includes the securities issued under full guarantee of Nepal Government or securities as prescribed by Nepal Government by a notification published in the Nepal Gazette or receipts relating to deposits of securities.

Government polices, rules and regulations impact the interest rates and market situation. Financial market is affected by the government activities. Government policies influence in the economy of the state, on the money supply and likewise transaction of financial instrument in security market. The government can create certain favorable situation for the up gradation of security market. There are many players in the security market like Institutional investors, Individual investors, brokers, security dealers, market maker, investment banker, underwriter etc. These investors play a vital role providing flow of capital in market. The investors search for the best alternative investment that can return a maximum future return for their bright future. Different type of securities due to different features like interest coupon, dividends, capital appreciation, ownership right, status etc will be searching by the investor to make investment.

Institutional investors and individual investors, both are equally important from the investment point of view. They are the active financial intermediaries involved in the securities market as professional investors. Generally, they are less restricted in buying and selling securities. They

buy and sell in bulk and have significant impact on the securities market in respect of resource mobilization, stock market price movement, market liquidity and so on. Especially, institutional investors do not hold securities for financial securities in order to control over the management of the corporation instead they hold securities for financial benefits that may be generate from these investment in the day to day transaction basis. As to the general meaning, the organized financial institutions that have substantial funds investment in the securities of others are known as institutional investors. Institutional investors may play more significant role in the capital market of the country like Nepal because the development of the capital market is in infant stage. The negative attitude of the government (lack of encouraging attitude of government towards share market), industrial insecurity in the country, has discouraged new investors in the secondary market and even the old investors are looking for green pastures. Due to the discouraging economic environment and slack in the stock market, the investors are trying to keep their investment return safe and hence, limiting the investments in the secondary market.

1.2 Role of Individual investors

Individual investors in the capital market play a vital role in providing flow of capital in market. Generally, the primary concern of the investor is to minimize risk while maximizing the return. Depending upon the nature of the investor differing from risk averse to risk taker; aggressive to conservative, risk seeker to risk neutral, active to passive, they invest depending upon their level of knowledge, awareness and perception. However, the investors, generally in the Nepal' s market are found to be following the herd mentality and crowding effect, with the market throwing sales order. There is also an influence of power struggle. Individual investors are an emerging trend of household saving to be invested in some security to earn future profit among common people. They play decisive role in the capital market. The major concern of individual investor is to minimize risk and to maximize returns. The investment levels of the individual are mainly concern on capacity, knowledge, perception and individual behavior. Unemployed, adult, housewives, retired personnel, students are attracted to investment day to day so that they can have some favorable future return. However, individual investor looks for different alternative than investing only in security market. The officials report that there has also been increase in the number of investors to about 1.5 million from 1.2 million couple of years earlier. These trends however can be due to various behavioral aspects of the investors. As the security market of Nepal is synonymous with trading of share, only the figure of share is presented over here.

The investment bankers perform the role of an expert in issuing new securities. These bankers make available advice to the business firms regarding the nature of security, maturity, interest rate and underwrite the issue of securities. This market remains as a center to convert stocks, bonds and other securities into cash immediately. Since the secondary market provides liquidity to the securities, the investors are encouraged to buy securities in the primary market. The transactions are more in secondary market than in primary market. But these markets involve in mutually closely related way. For instance, if the interest increases or the price of securities increase in secondary market, the interest and price of primary market also increase because of the investment transfer from one market to another according to price and return.

1.3 Focus of the study

The main focus of the whole study surround to the investor's periphery with the choice regarding the capital market for individual investment. In the efficient market only the investors are rational. So, the investors should be efficient enough to recognize the potential for excess return. The most important condition for market is to know what the preference of the investors. Thus, it is necessary to give guidelines frequently to the companies and investors for economic strength of the nation and ensure to give sound expected return to the investors for making investment meaningful and rewarding. It is analyzed that what factors affect the preference of investors. Basically, the companies issue the common stocks and these stocks are transacted regularly in NEPSE. Actually the prime concern of this study is to predict the investor's preference on selecting the financial instrument and the reason of selecting the investment opportunities in the capital market.

1.4 Statement of the problem

Many researches and articles have given various aspects of the behavioral aspects of investors in Nepal’s capital market. Most of the studies have said that the behavior of investors is guided by herd behavior and they do not conduct initial analysis before making the investment decision. Investors are risk averse and they are mostly influenced by the behavior of their family and friends. The investor’s level of confidence is also lacking. It is also said that most of the individual investors do not properly understand about the actual norm of the stock and risk involved in it. So, the investors could not identify good and bad stock and are guided by whim of act and influence by other investor’s behavior. They do not do proper analysis before investment. The existing broker also influences the decision of investors and investors only limit their

investments to financial market. There are unlimited flaws in the parts of investors and market in the Nepal's capital market.

Investors are the actors of the Capital Market. But the investors in Nepal are not aware of features of different financial instrument. Much of them have never thought in depth while applying for the shares. Some have become investors without knowing anything, just in a hunch. In some cases a head of the family applies for the shares in the names of all of the members of family, and a minor gets his shares allotted. Most of the financial theories are based on the idea that every investors takes careful account of all available information before making investment decisions. But there is much evidence that is always not the case. In Nepal investors are always ready for investment in common stocks, based in intuitive, imagination, guesswork and conscious judgment. Their conscious judgments are based on little understanding of statistical probabilities.

In the stock market, there is also lack of professional investors. Institutional investors and some individual investors are pretending as professional investor. There is evidence that Institutional investors behave differently than individuals. The current market is almost totally occupied by the individual investors who buy very little number of shares without the through analyzing of the data and information before buying and selling the stock. Those investors have a lack of productive thinking. These investors hold the view of making profit by speculation, which is one of the main causes of price fluctuation.

The basic issues arising to various problems that must be including in the study are:

1. What are the various behavioral aspects of investors?
2. How much time they contribute before making an investment decision?
3. What is the number of stock in their portfolio?
4. What is the percentage of income invested in capital market?
5. Are investors really guided by herd behavior?
6. What is the influence in their behavior due to influence by family and friends, act of whim, information given by broker and other factors?
7. Do they make any analysis before investment?
8. What are the factors motivating them?
9. How confident are investors?
10. What is the level of risk taken by them?

11. Do the various problems of market or efficiencies of market influences the behavioral aspect of investor?
12. What are the major sources of information for investors?
13. How do investors react during the time of market fluctuations?

1.5 Objectives of the Study

The main objectives of this study is to find out the investors concerning in the investing behavior in the capital market. Furthermore, this study is proposed to meet the following objectives:

- To identify qualitative as well as quantitative factors affecting the investment factors of individuals.
- To explore the general demographic factors and characteristics of individual investors in capital market.

1.6 Hypothesis of the study

In order to achieve the research objectives, following hypothesis have been created and the various research variables reflected in the questionnaire have been tested through chi-square statistics at 95 % level of confidence (5 % level of significance).

1.7 Significance of the Study

The investment collected from the small investors helps to up grade the whole business environment. As the small saving results to huge similarly the funds collected from each and every individual in market plays an important role in economy. Whenever there is new issue of securities the large amount of saving diverts towards the business world. In the same way, the investment in new business ventures shows positive effect in economy as it generate new jobs to many people producing goods and services and the productivity of nation increases.

The stock market also plays a vital role in economy as when the stock is selling in low price the investors have to pay less and more money is left out for spending in another purpose. While the stock sell at high price the investors have to invest more and supply of money in economy is resisted which results in the inflation. There is a great role of Individual Investment for the national investment for greater return. There is a need of study of investor's behavior regarding how they make investment decision.

1.8 Limitations of the study

- The study only considers active individual investors within Kathmandu.
- Only active investors those who show interest towards investing which can be described as having knowledge of financial market above the average are randomly chosen from the population of Kathmandu but not all investors.
- Individuals sitting in the broker office form 12 pm to 3pm from Sunday to Thursday in the broker offices and making the investment analysis and decisions are considered to be active investors interested in investment and capital market.
- The information provided by some of these investors can be biased and they reluctance behavior of investors to provide complete information about them can affect the validity of the response. It is assumed that investors will provide unbiased information and act as per they say.
- Measurement cannot be assured of cent percent accuracy because risk is caused by numerous factors such as social, political, economic and managerial efficiency.
- Stipulated resources also may have existed as limitation of this study.
- Reliability of this study depends upon the accuracy of published data and the genuineness of respondent.
- The knowledge and information about the stock market **t**o the general people is very low. Therefore they cannot supply the sufficient information about funds in the capital market.

1.9 Organization of the study

The study will be organized into five chapters. The descriptions and the contents of those chapters are outlined here under:

Chapter One: Introduction

This chapter includes general background, investment opportunities, Focus of the study, statement of the problem, Objectives of the study, hypothesis, Significance of study and Limitations of the study.

Chapter Two: Review of Literature

This chapter incorporates theoretical or the conceptual frame work of the study. It basically consists of different view points from important articles, reports of major studies and periodicals that have been officially published to support the whole idea of the thesis.

Chapter Three: Research Methodology

This chapter reflects the methodologies that are applied while conducting research for the study. It highlights the research plan and design, Population and sample, Nature and sources of data, data collection procedure, data analysis tools and limitations of methodology.

Chapter Four: Presentation and analysis of data

This chapter contains of Collective Investment Scheme, presentation and analysis of primary data results, Major findings of the study..

Chapter Five: Summary, Conclusion and Recommendations

This section includes the conclusion of the entire research which is backed up by probable recommendations. It will be summarizing the whole content of findings of the research in brief manner.

In front part of the study recommendation, viva-voice sheet, Declaration, Table of content, List of table and graph are presented and Bibliography, Appendixes are included in the end of the study.

CHAPTER II

REVIEW OF LITERATURE

2.1 Conceptual Review

In this chapter the reviews relating to the area of "Individual Investors' and their Behavior and Knowledge of Financial Sweeteners in Nepal's Capital Market" have been explained in more detail and more theoretical way. The investors always search for the better investments alternative that can maximize their wealth and ensure their better financial futures. This study reviews some basic academic courses book, journals, articles and previous study/dissertation reports on concerned area. Therefore efforts have been made to gather information from all available fields as possible. Individual Investor owns a portfolio of securities and becomes Investors. But the individual investors are part timer; they are the businessman, government worker, doctors, lawyers and even housewives, students and unemployed adults. When an individual buys securities, holds them and gets divided of profit through price appreciation, the cash flow becomes income to the people. Investors invest in securities on the basis of public information that should provide every details of the company. Safeguarding investor's wealth and their interest from unfair share trading practices should be the aim to enhance the awareness level of the investors in securities market.

In Nepal it is hard to get a successful investor as they are in countable number. But we can get a very good example of successful investors in the neighboring country and well known international icons like Warrant Buffet, John Templeton, Peter Lynch, Georgr Soros and David Dreman etc. The well known Indian investors Gurus Chandrakant Sampat, Nemish Shah are people who took investment as their career. The average investors in securities are part timer, with neither the ability nor time to evaluate a large (and often complex) flow of information. Most individual investors have a job apart from investing. Individuals have an opportunity cost in obtaining investment information , such as reading publication, tracking stocks prices and building a files on securities. This opportunities cost is the time and a recourses forgone that could have been used in others endeavors. (Jones: 1988).

2.1.1 Definition of the Variables

Individual Investor

Individual investor is a party that makes an investment into one or more categories of assets equity, debt securities , real estate, currency, commodity, derivatives with the objective of making a profit individually. They commit money to invest in products with the future expectation of financial return. Generally, the prime concern of an investor is to minimize risk while maximizing return. The individual investor in the research may have knee interest and above average knowledge of securities and capital market.

Capital Market

A capital market is a market for securities (debt or equity), where business enterprises (companies), households and governments can raise long-term funds through the use of various long term financial instruments and other securities. It can be classified as primary market and secondary market. In primary markets, new stock or bond issues are sold to investors via a mechanism known as underwriting. In the secondary markets, existing securities are sold and bought among investors or traders, usually on a securities exchange, over-the-counter or elsewhere.

Standard Finance

Standard finance is the bodies of knowledge build on the pillars of arbitrage principals of Miller and Modigliani, the portfolio principles of Marlowitz, capital assets pricing theory of Sharpe Linter and Black and other theories. These approaches consider market to be efficient and highly analytical and normative.

Efficient Market Hypothesis

According to the efficient market hypothesis, financial prices incorporate all available information and prices can be regarded as optimal estimates of true investment value at all time. The efficient market hypothesis is based on the notion that people behave rationally, maximizes expected utility accurately and process all available information. (Shiller: 1998).

Behavioral economics

Behavioral economics holds that investors are often irrational, therefore markets are inefficient and stocks are often mispriced. What's more, this irrational behavior is predictable and creates certain market anomalies that reappear over time because human nature is slow to change, and people are prone to repeat mistakes. Those who apply behavioral economics to investment management believe that irrational behavior creates opportunities in the market for other investors. They employ strategies that seek to capitalize on this predictable irrational behavior for potential financial gain.

Behavior Finance

Behavior finance is a new paradigm of finance which seeks to supplement the standard theories of finance by introducing behavioral aspects of the decision making process. Contrary to the Markowitz and Sharp approach, behavioral finance deals with the individuals and ways of gathering and collecting information. Behavioral finance seeks to understand and predict systematic financial market implications of psychological decision process. In addition it focuses on the application of psychological and economic principles for the improvement of financial decision making (Olsen, 1998).

A part of finance which seeks to understand and predict systematic financial market implications of psychological decision process. "Behavioral finance closely combines individual behavior and market phenomena and uses knowledge taken from both the psychological field and financial theory" (Fromlet: 2001).

The following section introduces some of the basic findings and principal theories within the behavior finance:

Herd Behavior

A fundamental observation about the human society is that people who communicate regularly with one another think similarly. Part of the reason that judgments of people are similar at similar times as that they are reacting to the same information. The social influence has an immense power on individual judgment. When people are confronted with the judgment of large group of people, they tend to change their wrong answers. They simply think that all the other people could not be wrong. This is rational behavior. In everyday living we have learned that, when a large group of people is unanimous in its judgments' they are certainly right. (Shiller: 2000).

People are influenced by their social environment and they feel pressure to conform. Herd behavior is the most generally recognized observations in financial markets in psychological context. (Fromlet: 2001). There are two actions arising from this mentality, panic buying and panic selling. Panic selling causes the most harm since it causes a steep and quick drop in the value of shares. If less-than-mechanistic or irrational thinking is in fact similar over large numbers of people, then such thinking can indeed be the source of stock market booms and busts. Part of the reason people's judgments are similar at similar times is that they are reacting to the same information.

Prospect Theory (Losing money is painful)

Prospect theory provides an alternative to classical, rational economic decision-making. The foundation of prospect theory: investors are much more distressed by prospective losses than they are happy about prospective gains. Researchers have found that a typical investor considers the pain of a $1 loss to be about twice as great as the pleasure received from the gain of $1. Also, researchers have found that investors respond in different ways to identical situations. The difference depends on whether the situation is presented in terms of losses or in terms of gains.

'Prospect theory, which was developed by Kahneman and Tversky (1979), is one of the most often quoted and best-documented phenomena in economic psychology. The theory states that we have an irrational tendency to be less willing to gamble with profits than with losses.' (Tvede: 1999).

Investors want to avoid the feeling of loose as losing money is painful. What really happens is that if we are presented with a situation where we have an even chance of winning $150 or losing $100? We won't take the chance. So, the fear of losing money and experiencing the associated pain will keep us from taking risks. For people invested in the stock market, the pain experienced when reading those quarterly statements with negative returns causes many to sell at the wrong moment. They'll miss out on the market's rebound.

2.1.2 Investment

Sharpe argued, "Investment in its broad sense means the sacrifice of current dollars for future dollars". The investment for future returns generally and automatically involves two attributes time and risk. The sacrifice of present wealth takes place in certainty but the reward or return is uncertain and hence bears a risk of uncertainty.

Investor always has to assume certain degree of risk. There are some securities which are less risky and have certainty of reward in future like in securities issued by the government municipalities through bonds, treasury bills etc. Investor accumulates their earned incomes in form of savings but these saving are not the investment, it's rather defined as forgone consumption. The collected amount of rupee is not a capital unless it is invested in a productive process. The saving or collected earned incomes are used to produce more goods and services in country can be called investment. However we can categorize investment into two categories, Real and Financial Investment.

Real and Financial investment

Real investment involves acquisition of tangible assets like land, Machinery, Factories This involves direct flow of savings into acquisition of assets or business. In primitive economies or in stage of development most of investments are of real in nature. The investor find only the easy way to invest is in real investment. They are familiar and easy with buying real estate, billion are investing in business ventures directly or people just keep their money ideal by just saving.

Financial investment is indirect in nature; ones financial investment creates real investment for another. It is a form of investment involving contracts return written in papers like shares, bonds etc. It is also known as paper assets. But in present, due to well developed financial market people finds a way to put their money in to the highly rewarding investment. People can invest indirectly through the purchasing of shares of the desired corporate house.

2.1.2.1 The Investment Process

The investment process describes how an investor go about making decisions with regard to what marketable securities to invest in, how extensive the investment should be, and when the investment should be made. A five steps procedure for making these decisions from the basis of the investment process (Sharpe, Alexander and Bailey: 2001).

- **Investment Policy**

The initial step, setting investment policy, involves determining the investor's objectives and the amount of his or her investable wealth. Because other is a positive relationship between risk and return for sensible investment strategies, it is not appropriate for an investor to say that his or her objective is to "make a lot of money ". Investment objectives should be stated in terms of both risk and return. This identification will be based on the investment objectives, amount of investable wealth, and tax status of the investors.

- Security Analysis

The second step in the investment process, performing security analysis, involves examining a number of individual securities (or group of securities) within the broad categories of financial assets previously identified. One purpose for conducting such examinations is to identify those securities that currently appear to be mispriced. Most of these approaches fall in to two classifications. The first classification is known as technical analysis; who utilize this approach to security analysis is known as technicians or technical analyst. The second classification is known as fundamental analysis; those who utilize it are known as fundamentalists.

- **Portfolio Construction**

The step in the investment process, portfolio construction, involves identifying those specific assets in which to invest, as well as determining the proportions of the investors wealth to put in to each one. Here the issue of selectivity, timing and diversification need to be addressed by the investors. Selectivity is also known as micro forecasting, refers to security analysis and thus focuses on forecasting, involves the forecasting of price movements of common stocks in general relative to fixed income securities, such as corporate bonds. Diversification involves construction the investor's portfolio in such a manner that risk is minimized, subject to certain restrictions.

- **Portfolio Revision:**

The fourth step in the investment process, portfolio revision concerns the periodic repetition of the previous three steps. The investors should form a new portfolio by a selling certain securities that are currently held and purchasing certain others that are not currently held. Another motivation for revising a given portfolio is that overtime the prices of securities change, meaning that some securities that initially were not attractive and others that were attractive at one time may no longer be so. A decision will depend upon, among other things, the size of the transaction costs incurred in making these changes as well as the magnitude of the perceived improvement in the investment outlook for the revised portfolio.

- **Portfolio Performance Evaluation:**

The fifth step in the investment process is portfolio performance evaluation which involves determining periodically how the portfolio performed, in terms of not only the return earned, but also the risk experienced by the investors. Thus appropriate measures of a return and risk, as well as, relevant standard “benchmarks" are needed.

2.1.2.2 Investment Opportunities in different field for Individual

From the investment point of view and depending upon the nature of the investor differing from risk averse to risk taker; aggressive to conservative, risk seeker to risk neutral, active to passive, they invest depending upon their level of knowledge, awareness and perception there are different investment opportunities for the individual in Nepal. Some of the opportunities are discussed below:

- **Capital Market in Nepal**

A capital market is a complex of institutions and mechanisms through which the savings of the people are mobilized and placed at the disposal of spending units like central government, state, local bodies, statutory corporations, etc and business enterprises and individuals to meet their regular and planned development expenditure including that for expansion, diversification and modernization for their existing enterprises or for setting up new ones. Such entity issue financial instrument like securities, shares, debentures, bonds, etc, evidencing title or claims to capital and other resources owned by them, to the persons who place their savings at their disposal.(Sharma:1996). Two major regulatory body of capital market are NEPSE and SEBON. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. However, SEBON is mainly concerned with offering various functions like to offer advice to Government on matters connected with the development of the capital market, to register the securities of corporate bodies established with the authority to make a public issue of its securities, to regulate and systematize the issue, transfer, sale and exchange of registered securities, to give permission to operate a stock exchange to any corporate body desirous of doing so, subject to this Act or the rules and by-rules framed under this Act, to supervise and monitor the functions and activities of stock exchange and many others.(Securities Board of Nepal).

- **Organized Stock Exchange**

"The essential function of a stock is to provide active market place for corporate shares and other listed securities. The stock exchange plays an indispensable role in mobilizing funds in the capital market. The various virtues governing stock exchange include enhanced marketability of securities, rational allocation of investable funds, facilitate economic growth and wealth generation and proper maturity, liquidity and diversification of investment. The growth of capital market through the vehicle of stock exchange has brought a flow of the information about

various securities in additional to the sound listing criteria that prove worthwhile to the investors" (Shrestha: 1992).

- **Over the Counter Market**

The name itself shows that OTC was originated in the time when the securities were traded over the counters of dealers. OTC market is the market for those securities, which is not listed on the stock exchange. When the company first sells its securities to the public, the securities are traded in the OTC market. In modern days it has more to do in addition to place i.e. counter. OTC market's perform the works of both primary and secondary market. In past days, OTC markets were assumed to be more important for bonds and stocks. It includes all transactions of securities other than that taking place on the stock exchange. It is actually a group of security brokers. This market is incorporating through the SEBON.

2.1.3 Financial instruments/securities

A wide range of investment alternatives is available to the investors for investing in different securities of corporate house and the government. However if we compare to the other develop nation than we can get varieties of securities in Nepal. The security which is used widely over here is as under:

a) Equity or Stocks (Ownership instruments)
b) Bond (Debt instruments)

a) Equity or Stocks(Ownerships instruments)

Equities are often termed as stocks or shares. Stocks represent part ownership of a corporation (Hatch, 1983). Holding a stock certification means that the holder owns the part of the corporation. Thus there are only corporate stocks no government of state and local government stock, since individuals cannot own governments (at least not legally) (Ritter: 1993). Equities or stocks are basically the contracts that establish an ongoing relationship between borrower and lender and almost always bundling some combination of control "Control Rights" and rights to be a" residual claimant". In the establishment of the corporations of small and medium sizes, stock sales to the incorporators are usually the principal source of cash and other assets (Kent: 1972).

People invest in equities because they want to make more income than they do in a saving account. For the possibility of making more income, they assume more risk. There are several advantages and disadvantages of investing in stock. Many companies might declare relatively small cash dividends, perhaps with a return of only 2 or 3 percent. But these companies may also

offer a good chance for price appreciation over time. Equity investment also offers a high potential return. Greater than average returns are possible if one buys and sells the correct stocks. On the other hand, in equity investments risk of various types are also present. There is the financial risk that the company will go bankrupt. There is the liquidity risk that the price of stock might be quite low when one wants to sell it. Along with them inflation risk also presents. In the period of high inflation, market prices of equity are depressed.

There are two main types of equity ownerships or stocks or shares Equity or Stocks prevalent in the market.

i. Common Stock
ii. Preferred Stock

i. Common Stock

Common stock is the first security of a corporation to be issued in the event of bankruptcy, the last to be retired. It represents an ownership share in the firm; it has the lowest priority claim on earnings and assets of all securities issued. This is the residual claimant to the earnings. An investor in common stock receives certificate of ownership, stating the number of shares and par value of share. Common stock holders have the voting rights, they can vote for a board of directors and to vote on major issues that may be presented before them. (Santomero and Babbel: 1997)

ii. Preferred Stock

Preferred Stock is also a form of equity ownership. It is hybrid sorts between a fixed and a variable income security. In general, no dividends can be paid on the common stock until the specified dividends have been paid to preferred stocks. Preferred stocks are usually perpetual however some can be callable also (Haugen: 1997). Preferred shareholders do not share in the profitability of a firm beyond the stated dividend rate. They are called 'preferred due to their superiority in two areas:

a) Although they have no rights to dividends, if corporation allocates earnings to declared dividends, preferred shareholders must receive before common stock holders.
b) In the event of forced liquidation, preferred shareholders have a claim on remaining assets up to the par value, as a priority over the common shareholders.

It seems that preferred stock is hybrid security with characteristics of both bond and common stocks.

- **Bond (Debt instruments)**

Bond represents the debt instruments which represents borrowing. These are also known as contractual obligation since the creation of a debt is implemented by some form of contract fixing the rate of interest and defining the terms and conditions of a repayment (Whyte: 1951).

In Nepal debt securities market has not reached its maturity stage. There is not proper exercise of debt securities till now. We can say the history of debt security market was started from the year 1962 A.D. For transaction debt security, the 'security exchange center 'was involved. Later it was converted into 'Nepal Stock Exchange'. The transaction of government debt has not been done through Nepal Stock Exchange. As government and corporate bodies should go in to the debt securities.

For required capital the form of bond can be categorized into the following:

i. Government Bonds
ii. Corporate Bonds

i. Government Bonds

The securities issued by the government for the collection of the fund is called government bond. Actually government raises fund from market to conduct regular activities to conduct development programs, to recover the deficit budget etc. According to the Annual Report the Government bond were issued in 1000 number in 2010/11 up to the mid July. (NEPSE: 2010/11). In Nepal, Nepal Rastra Bank has been actively issuing various government securities with the main aims of tackling the deficit budget. Development bond, Special bond, National Saving bond, Treasury bill, Public Saving card is the examples of government bond.

ii. Corporate Bonds

The bond issued by the corporate house for the fulfillment of the needs of funds is corporate bond. Actually the firm that wants to raise funds prints in fancy piece of papers and try to sell them. This paper states that the issuer (the borrower) promises to pay whoever owns the bonds (the lender) certain interest payments at specified dates in the future. If we look the corporate debt securities market than this market is not developing. Only the few companies issued a debenture till now. Firstly, Bottlers Nepal issued debenture worth Rs. 5 million in fiscal year 1986/87 and was redeemed at maturity. Similarly, Shree Ram sugar mill limited issued debenture of Rs. 93 million in the fiscal year 1997/98. According to the Annual transaction report 58 corporate bonds issued on the year 2009/10 (NEPSE: 2010/11).

2.1.4 Sources of Investment Risk

Every investment involves uncertainties that make future investment returns risky. According to Sharpe, Alexander and Bailey: 2001, the sources of uncertainty that contribute to investment risk are:

i. Interest Rate Risk:

It is defined as the potential variability of returns caused by changes in the market interest rates. If the market interest rates rise or fall, then the investments present value will fall or rise. Present value moves inversely with changes in the market rate of interest. The interest risk affects the prices of bonds, stocks, Real estate, gold, calls, future contracts and other investments as well.

iii. Purchasing Power Risk:

It is the variability of return an investor suffers because of inflation. Economists measure the rate of inflation by using a price index. The percentage change in the consumer price index is a widely followed measure of the rate of inflation.

iii. Bull-Bear Market Risk

When a security index rises fairly consistently from a low point, called a trough, for a period of time, this upward trend is called a bull market. The bull market ends when the market index reaches a peak and starts a downward trend. The period during which the market declines to the next trough is called a bear market. Bull markets that usually rise more than enough to compensate for the bear market losses follow bear markets. But the alternating bull and bear market forces create a potential source of investment risk.

iv. Management Risk:

Errors made by business managers can harm those who invested in their firms. Forecasting management errors is difficult work that may not be worth the effort and, as a result, imports a needlessly skeptical outlook. Agency theory provides investor with an opportunity to replace skepticism with informed insight as they endeavor to analyze subjective management risks.

v. Default Risk:

Default risk is that portion of an investment total risk that results from changes in the financial integrity of the investment. The variability of returns that investors experience as a result of changes in the credit worthiness of a firm in which they invested is their default risk.

vi. Liquidity Risk:

Liquidity risk is that portion of an assets total variability of returns which results from price discounts given of sales commissions paid in order to sell the assets without delay. Perfectly liquid assets are highly marketable and suffer no liquidation costs. Illiquid assets are not readily marketable either price discounts must be given or sales commissions must be paid or both of these costs must be incurred by the seller, in order to find a new investor for on illiquid asset.

vii. Callability Risk:

Some bonds and preferred stocks call provision. The issuing company gains by calling in on issue is gained at the expense of the investors who have their securities called that portion of securities total variability of returns that derives from the possibility that the issue may be called the callability risks. Callability risks commands a risk premium that comes in the form of a slightly higher average rate of return. The additional return should increase as the risk increases.

viii. Political Risk:

Political risk arises from the exploitation of a politically weak group for the benefit of a politically strong group. With the effects of various risk to improve their relative position increasing the variability of return from the affected asset regardless of whether the charges that causes political risk are sought by political or by economic interests. The resulting variability of return is called political risk if it is accomplished through legislative, judicial or administrative branches of the government.

ix. Industry Risk:

Industry Risk is that portion of an investment total variability of return caused by events that affect the products and firms that make up an industry. The stage of the industries life cycle, international tariffs and or quotas on the products produced by an industry, product or industry related taxes; industry wise labor union problems, environmental restrictions, raw material availability and similar factors interact and affect all the firms and industry simultaneously. As a result of these commonalities, the prices of the securities issued by competing firms tend to rise and fall together.

The above mentioned uncertainties are the major sources of investment risk. Moreover, there might be numerous minor sources of investment risk. The above major sources of risk are of additive natures, which add up to total, risk i.e. Variance.

2.1.5. Trade- off between Risk and Return

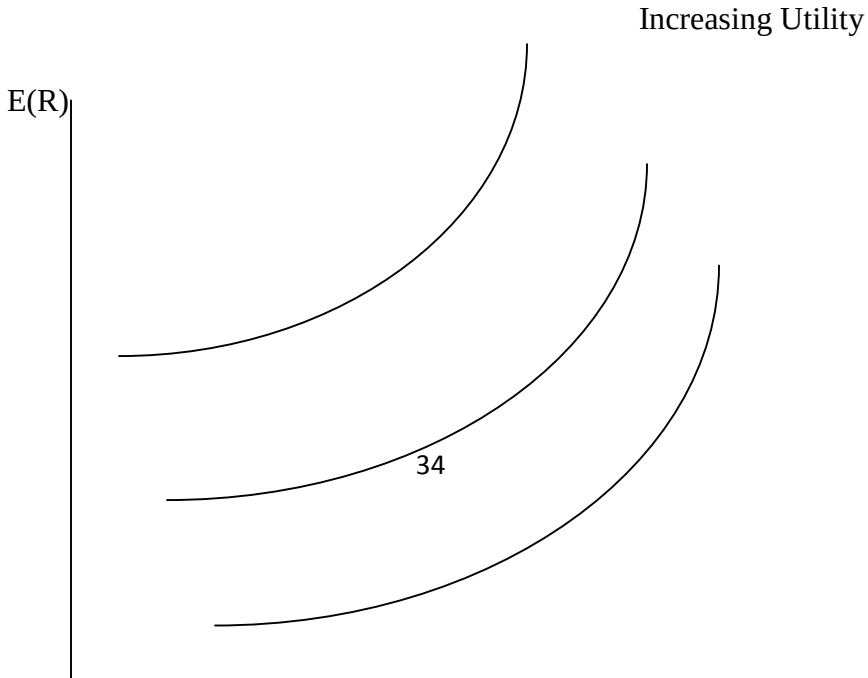
Risk is complicated subject and needs to be properly analyzed. The relationship between risk and return is described by investors' perception about risk and their demand for compensation. No investors will like to invest in risky asset unless he is assured of adequate compensation for the assumption of risk. Therefore, it is the investors required risk premiums that established a link between risk and return. In a market dominated by rational investor, higher risk will command by rational premiums and the trade-off the two assumes a linear relationship between risk and risk premium

Utility Functions and Investors

The best mix of expected return and standard deviation for a security portfolio depends on the investor's utility function. If you are a risk adverse investor who associate risk with divergence from expected value of return, your utility function might be depicted in the following figure. The expected return is plotted on the vertical axis, while the standard deviation is along the horizontal. The curves are known as indifference curves; the investor is indifferent between any combination of expected and standard deviation on a particular curve. In other words, a curve is defined by those combinations of expected return and standard deviation that results in a fixed level of expected utility.

Figure- 2.1.5(A)

Hypothetical Indifference Curves



Standard deviation

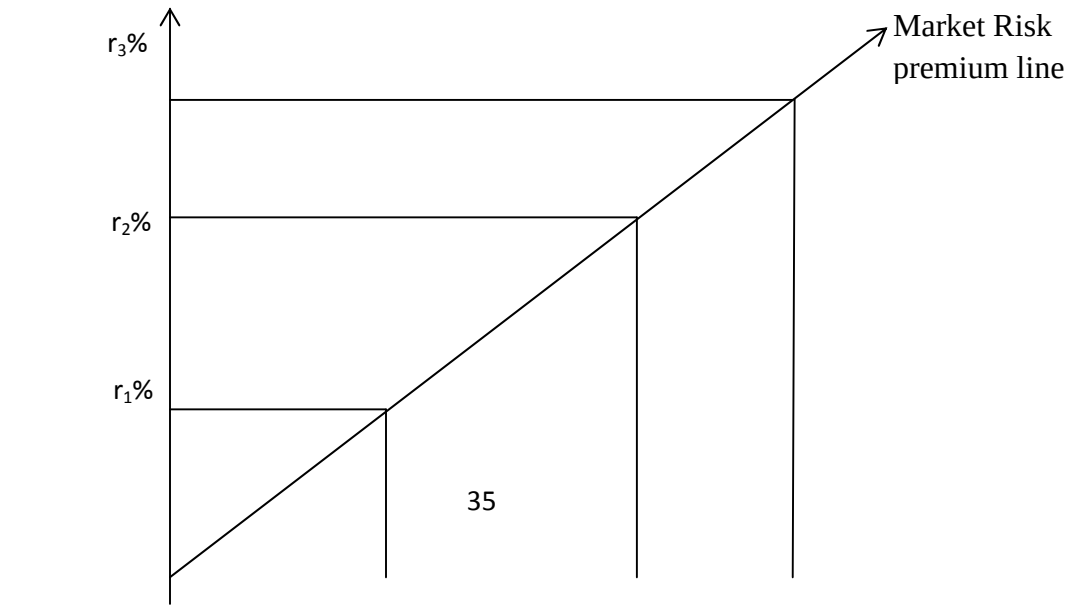
The greater the slope of indifference curves, the more averse the investor is to risk. As we move to the left in the figure 2.1.5 (A), each successive curve represents a higher level of expected utility. It is important to note that the exact shape of the indifference curves will not be the same for different investor. While the curves for all risk averse- investors will slope, a variety of shapes are possible, depending on the risk preferences of the individual.

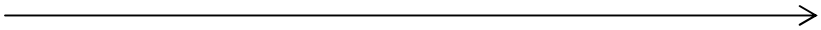
Positive Trade-Off between Risk and Return

An investor can usually attain more return by selecting dominant assets that involve risk. While it is not true that a riskier asset will pay higher average rate of return, it is usually true. The reason is that investors are risk averse. As a result, high-risk asset must offer investors high returns to induce them to make the riskier investments.

Figure: 2.1.5 (B)

Positive Trade-Off between Risk and Return





S.D. $_1$ S.D.$_2$ S.D.$_3$

Risk

The figure 2.1.5 (B) represents a higher risk premium. For taking risk $S.D_1$, the expected return is r_1 when an investor assumes risk $S.D_2$, the return must be r_2 Increasing the return (risk premium) by r_2 - r_1 for assuming more risk: $S.D_2$- $S.D_1$. The assumption of linear relationship states that the risk premium must increase or decrease in proportion to a change in level of risk. It also indicates higher the risk, higher the return and lower the risk lower the return.

Motivation for Investors to Invest

Individual long term goals of also motivate investors to invest in the stock market like it may be a child's education, house building in long term and so on accordingly. It also includes individuals and organizations looking for short- and long-term capital gains, fixed income, speculation and retirement money.

Investors are risk averse and prefer a sure investment return rather than an uncertain one. Investors get motivated when they get paid for taking the extra risk. Confidence about the stock market also encourages investors to invest. Investors are motivated to buy stocks when they feel that they will be able to sell them at higher prices (double prices).Barber and Odean (2005) emphasize that investors tend to focus on "attention grabbing" stocks. They find abnormal volume and returns attract buyers to a stock.

Generally, the major concern of investment for investor is long-term capital appreciation, with dividend income and intermediate-term gains running distant seconds, and short-term gains clearly at the bottom of the list. The research suggests that roughly half the sample spends less than five hours a month, and less than $15 a year, on collecting the information for and making the decisions about the securities in its portfolios. Of the money which is spent, the great bulk goes for subscriptions to the standard financial periodicals. The vast majority of the respondents now does, and always has, transacted their securities business through a brokerage firm. (Ronald C. Lease, Wilbur G. Lewellen, Gary G. Schlarbaum: 1997).

According to the article by Bista in October 06, 2010, the author says that" Central depository system (CDS) is a better way for stock management which will eventually replace the current but

traditional practice of holding and moving the share scrip physically and a complete computerized based data entry system which will finally cut off the possibilities of scrip misplaced and lost or forged. But, with the new custom there are new challenges too. Government should work on building awareness as this system is new and although it will be an ease for young investors but can be sophisticated to those aged investors who are not familiar with computer system.

Efficient Financial Market

Market efficiency means the market price of a security that estimates markets value of that security. If the market is efficient, it uses all information available to it in setting a price. Investors who choose to hold a security are doing so because their information leads them to think that the security is worth at least its current market price. Those who do not purchase the stock interpret their information as a lower appraisal. An efficient financial market exist security prices reflect all available public information about the economy, about the financial markets, and about the specific company involved.

Expressed more formally, market efficiency means that the unanticipated portion of the return earned on a security. The unanticipated portion is simply the actual return less than that which was expected based on some fundamental analysis (e.g. intrinsic value). Put differently, it is the surprise element. Using the definition of fame, weak-form market efficiency means that the unanticipated return is not correlated with previous unanticipated returns. In other words, the market has no memory. Knowing the past does not help you earn future returns. Semi strong form market efficiency means it is not correlated with any publicly available information. Finally, strong market efficiency, the anticipated return is not correlated with information, be it publicly available or insider. (Van Horne: 2000)

Random Walk Model

The random theory assumes that of all future streams of income from the equity investment are independent of proceeding incomes. So, the future prices of the common stock cannot be forecasted on the basis of past price behavior. Random model says that previous price changes or changes in price are useless in predicting future prices or return changes. It means if we attempt to predict future price in absolute term using only historical price change information, we will not be successful that successive price change are independent.

Fundamental 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 the position in its industry. In other words, it focuses on the "basics "of the business. As well, Fundamental analysis involves working to analyze different factors such as economic influences, government auction, company's information, its competitors etc. The fundamentalist fundamental analyst determines the intrinsic value of stock. " The fundamentalists maintain that any points of time every stock has an intrinsic value which should in principle be equal to the present value of the future stream of income from that stock discounted at an appropriate to risk related rate of interest (Bhalla: 1983). "The value of common stock is simply the present value of al the future income which the owner of the share will receive." (Francis: 1986).

Technical Analysis

The Technical Analysis theory is based on previous market information and it assumes that the history tends to repeat itself; it is believed that knowledge of past patterns of share prices will help to predict future prices under similar circumstances. The technician usually attempts to predict short term price movements and thus makes recommendations concerning the timing of purchases and sales of either specific stock or groups of stock (such as industries) or stocks in general. It is sometimes said that fundamental analysis is designed to answer the question "What?" and technical analysis to answer the question "When?"(Sharpe: 2000).

"Technical analyst maintain that the price of a share at any time(Present price) is the balance struck buyers and sellers at a point in time price movements take place on account of diverse internal and external factors (profits, political environment, predictions and the likes). Prices stabilize when equilibrium between buyers and sellers is achieved. They believe that a record of price movements over a period of time in the past. That human nature does not change and that is likely to repeat his patterns of past movements will repeat themselves in the future"(Raghu: 1991).

Basic premises of Technical Analysis

i. The market prices are determined by the interaction of supply and demand forces.

ii. Supply and demand is influenced by a variety of factors both rational and irrational. These include Fundamental factor as well as Psychological factors.

iii. Bearing minor deviation, a stock tends to move in fairly persistent trends.

iv. Shifts in demand and supply bring about change in trends.

v. Irrespective of why they occurs shift in demand and supply can be detected with the help of chart of market action.

vi. Because of the persistence of trends and patterns, analysis of past market data can be used to predict future period behaviors.

Difference between Technical Analysis and Fundamental Analysis

Some main differences between two categories for security analysis are as follows:

1. Technical analysis is the traditional approach whereas fundamental approach is the modern one.
2. Technical analysis mainly seeks to predict short-term price movements whereas fundamental analysis tries to establish long-term values.
3. The focus of technical analysis is mainly on internal market data, particularly price and volume data. The focus of fundamental analysis is a fundamental factor relating to the economy, the industry and the firm.
4. Technical analysis appeals mostly to short term traders, where as fundamental analysis appeals primarily to long term investors.

Charting techniques used by technical analysis

Some of the most popular charting techniques used by technical analyst are as follows:

i. Venerable Dow Theory

This theory is proposed in the late nineteenth century by Charles H. Dow, the editor of the wall street journal. The Dow Theory is the oldest and best-known theory of the technical analysis.

In the word of Charles Dow (1990),"The market is always considered as having tree movements all going at the same time. The first is the narrow movement from day to day. The second is short swing, running from two weeks to a mouth or more, the third is the main movement covering at least four years in its duration". The three kinds of movement can be

found in market as said by Dow are Primary Movement, Secondary Movement, Daily Movement

ii. Bar and Line Chart

Bar chart is statistical bar diagram, which represents the daily price movement with range from days lowest to highest prices, represents the day's closing prices. And line chart is graph of successive day's closing prices.

iii. Point and Figure Chart

Point and figures charts record the price change by eliminating the time scale and small changes. It helps in identifying patterns and changes more easily.

iv. Contrary Opinion Theory

The contrary opinion theory is based on thinking just opposite or contradiction thinking of the majority of people in market. The theory suggest majority of people are wrong, they do what all do with rumor so we should do just opposite of what all does. This theory has two consideration. They are Odd Lot Theory and Theory of short sale.

v. Relative Strength Analysis

The main idea of relative strength analysis is to analyses the stock about its response to market situation. The stocks are said to have a relative, which increase more in bull market and declines less in bear market.

vi. Moving Average

This technique calculates a moving average price of security and uses the average as a benchmark to gauge the daily price movement of a security. Moving average analysis is used to tell a technical analyst when to buy or sell security. For example buy when (1) price of stock move through a flattened moving average line. (2) Stock price falls below a moving average lines falls but turns around and starts up before it ever reaches the moving average line.

2.1.6 Factors to be considered before Investing in Securities

There are various factors to be considered by the investors while making investment in different investment alternatives. The factors like investment objectives, investment horizon,

the risk and return factor as well as the taxes and the investment strategy is also the important factors before making any investment.

Stocks investors who want to invest in the stock market should not invest directly in corporation. At first, they come in stock exchange market. They invest on the information base on prospectus of company and other public notice and details, which are published by the company.

While investment policies needed to be informed, the investor needs to consider many factors. Usually these are the factor to be considered in the investment planning decision (Shim & Siegel: 1989).

Investing is all about making money by investing in the stock market rationally. If the investor is not well informed about the share of the company which he is buying or is not prepared by analyzing the company's both current and future prospects than he will hurt himself by investing in the share of that company. "Investing without first learning all you can about an opportunity is like running through an unfamiliar room with your eyes closed", says Diena Ohman, Wyoming's secretary of state," you are going to hurt yourself." People do not have to see the securities as only an alternative way to invest their money in.

The following are the criteria investors will apply to each investment choice:

a. Security of principal
b. Liquidity
c. Stability of income
d. Strength(Leverage)
e. Inflation
f. Cash flow
g. Mobility
h. Limited Management Requirements.

2.1.7. Investment Consideration to Potential Investors in Primary Market

Investors should be able to manage their investment from beginning of planning for investment till the security is liquidated. While buying in initial market or in primary market the investor should be unaware of different aspect of the securities issued. Rules

and regulation applied by security board will alone not be able to protect interest of investment. Investors should be able to analyze and evaluate the different aspect of company and its security issued.

Investors should select those company's shares, which are regarded as well operating and future prospect, reliable management, beneficial sector or high growth, protective provision of indenture etc. before they finally invest.

Investor investing in stock must compare price and value of share in market and should select shares, which have owner market price than its intrinsic value. The investors investing in bonds and debenture should find out the provision of repayment of principle in case of default.

According to the Amended law of SEBON: 2006, the investors are informed about following before making investment decision in primary issue or initial issue

- The investors should take necessary information about company such as; promoters, size of company, growth of company, company's environment, Board of directors (BOD) and the past and forecasted statements (Performa balance sheet) etc. from the prospectus, Articles, Memorandum of the concerned company and company's promoters.
- The investor should make a public announcement made by the company in National daily newspaper before 7 to 15 days the opening of issue of share.

2.1.8 Investment Consideration to the Potential Investors in the Secondary Market (SEBON: 2006)

The investors are required to be informed on the followings before investment in the share in the secondary market:

1. To keep the information of the companies return to the shareholders in the form of cash dividend, stock dividend, bonus share etc. to keep the timely information about companies earning per share (EPS), book price per share, price earning ratio, future plan and growth expectancy of the company by studying annual, quarterly and half yearly performance reports, profit and loss account, Balance sheet and Annual Reports etc.
2. To analyze the information (price sensitive and other information) notified to the investor in the notice board of SEBON and NEPSE about the listed companies.
3. To study the articles related to the trading of shares and economic matters published in the different newspaper and magazines.

4. To study the trading statements and financial analysis of the listed companies published by NEPSE.
5. To study annual reports and other information published by SEBON.
6. To attend the Annual General Meeting (AGM) regularly.
7. To study the act and regulation concerning to the share holders right.
8. To derive the necessary information related to the trading of shares from website from SEBON (www.sebonp.com) and NEPSE (www.nepalstock.com)

The investment consideration begins from the selection of the broker to assist the trading in the securities market. Most investors have access to investment information in the form of oral and written form from their brokers. Brokers subscribe to well known investment information sources that can be used by their customers. Brokers are most active trading agents of capital markets. Stockholders are back bone of stock market and its smooth functioning.

The investor's first step in establishing a satisfactory relationship with a broker is to choose a firm that is suitable for his needs and to select a representative of the firm with whom he can work. In practice it is hard to separate the two choices, for if one of satisfactory firm but is unhappy with the representative, it is embracing to shift one's account to another with the representative within the same firm. The brokerage firm should be well known and long established institution. In selecting a firm an investor can ask for recommendations from his banks or from friends whose opinions he trust. The representative should be able to furnish the investors at all times, on reasonable notice, information on any specific company's securities (Fisher & Jordan: 1992).

The representative should not be the type who is always trying to sell the investor something, on the other hand, he should be aware of the securities held by the investor and should inform him of any news that is relevant to these holding. Basically, the function of the representative is to give service and information to the investor so that the latter can make investment decisions and for mutually satisfactory business relationship between the two lines with the investor, for he must make his own investing philosophies and goal quite clear so that the representative will be able to offer the type of service desired.(Fisher & Jordan: 1992).

2.1.9 Others Factors Affecting the Investment Decision/Policies

Besides above mentioned basic principles, some basic factors really affect the investment policy and composition of the components. However, their degree of affecting power may vary. These are the pother factors that have significant affecting power:

i. Regulatory Provision
ii. Management Perception
iii. Present composition of the investment portfolio
iv. Availability and accessibility of the investment

2.1.10 Investors perceptual Framework

Investors are entered through primary market or secondary market and invest their money on stock or other assets. But investors want only thing that is some extra return. Many people will enjoy in the future with high standard living which may well depend on their successful investment. For the successful investment, there are many more factors to be considered while investing in stock. Such as, management, review to balance sheet of concerned company, growth of the company, size of company etc. Successful investing is very difficult job, however, successful investing depend upon the investment style or strategy. Strategy of investment or investment style is always relying on the investors. Actually, perception drives to investors. The investor's perceptual frameworks are mentioned below:

i. Attitudes

Every investor has their different views on his or her investment. Their attitude differs from one to another in studying investors attitude from the point of view of risk there are three broad types, the risk averter, the risk seeker and the risk indifferent investor.

The risk averter investors are those who never want to take any kind of risk. Rather they prefer choose one with lowest possible risk or no risk at all. Risk seekers are those investors who wait for the risky investment opportunity. These types of investors prefer riskier investment and enjoy much in investing on challenging sectors involving higher risk. Risk indifferent investors are only seeking to invest but do not concern about the risk. In fact, risk indifferent investors required return increases equal proportion or more as an increase in risk.

ii. Values

Values represent basic conviction that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence (Robbins: 4th edition). Every human being desires his or her values. As, well as, every human have his or her own type of values system in society. Every body wishes to form his or her own values, so that, they can do some extra more than what they does. As investors invest their hard-earned money on securities so they all want to make some more

money which helps to maintain their values in society. Actually, every human being (investors) has to know their values through a ranking according to their opposition.

iii. Objectives

Investor's perception is also tenuously affected by their investment objectives, although, investment always seek to make money. In fact, it is not simple to make money. Investors invest their money on stock to fulfill their objectives. Objectives are disposed to take risks of stock. There are some important objectives below:

i. People are willing to invest but also seek to liquidity. Liquidity means convert to cash quickly with no loss value. So, people invest their money in saving account. But they are willing to invest in securities because of higher return than bank's saving account
ii. Many people want to maintain their position in society after retirement. And then people plan for better life style and quality of lives after retirement. Therefore, investors invest in securities for their livelihood.
iii. If future expenditure is very large, then investors take greater risks to earn higher profit.

iv. Motives

Money is a very powerful instrument in this whole world and is familiar with every language. Money is that thing which is never enough to human beings. Therefore, money plays very important role on motives of investor for investment. Money has a power to change the perception of the investors. If one company gives regular dividend with growing rates, then it attracts to the investors. That is why; every investor wants to gain some extra returns from his or her investment. So the money can change the perception of the investors.

2.1.11 Investment Objective and Preferences of Investors

People invest for some or more of four general reasons:

i. To increase income
ii. To have funds available during retirement years
iii. To achieve specific financial goals and
iv. To gain feeling of financial security.

The investors' just want to invest but have not ability is not an investment. Getting ahead through investment require willingness, ability and discipline. Actually investors invest because of the following reasons:

a. I have too much money just sitting in the bank.
b. I want to get rich quickly.

c. I want to get rich slowly.

d. I want to buy a Mercedes-Benz auto mobile.

e. I want to retire with a secure income.

f. My parents have to depend on me financially after retirement.

g. My children should not have to support me in my old age and many more like these.

'Ability' has to do with knowing alternative investments, finding investment funds and making intelligent investment decisions and 'discipline' describes the courage to act responsibly in financial matters (Garman: 1985).

The economist John Keynes, writing in his famous 1936 General Theory, identified three reasons for holding financial assets:

i. Precaution motive
ii. Transaction motive
iii. Speculative motive

The people will satisfy their cash demands before considering any other assets. They will then fulfill their needs for highly liquid accounts, then less liquid but potentially higher return Assets. While making savings and investments, people are driven by various stimuli. These vary according to personal need and preferences, as well as factors such as attitude to risk, liquidity requirements, life cycle hypothesis etc. (Cowdwell and Cowdell, 2001).

Investors, as buyers of financial products, expect to obtain three characteristics from the financial instruments. They are the expected return, security and liquidity (Blake: 2000). The principle objective in making investments is to earn a return that compensates investor for the risk of the investment.

To be more specific, the investment objectives are related to the:

i. Safety
ii. Growth of Principal
iii. Regular return
iv. Liquidity

i. Safety

Safety does not take into consideration the amount of loss due to inflation but rather whether or not the dollars placed into the investment are guaranteed to be returned at a later time. High quality investments are often desired so the principal remains intact. Many investors

equate the objective of safety of principal with the purchase of high quality investment instruments.

ii. Growth of Principal

Price appreciation of principal in addition to the secured principal is also one significant objective of investors. When an investment is purchased with the hope of earning a capital gain at the time of sale, the investment objective is growth, which is the primary reason most individuals invest. A crucial task for the investor is to balance the desire for safety of principal with the desire for growth in a manner consistent with his or her personal preferences.

iii. Regular Return

Investors may realize investment income either in the form of regular income or capital appreciation. Under some circumstances, regular income is either necessary or highly desirable. It can be the objective to those who must produce a fixed amount of income from investments for living expenses. It is that income in the form of capital appreciation is in a more favorable tax position than current income received in the form of dividends or interest. Hence, individuals in high marginal tax brackets may prefer current income. The need of regular income varies greatly, depending upon such factors as the age, wealth and non-investment income of the investor. Bonds, preferred stocks and other investments with high current yields are traditional income investments.

iv. Liquidity

Liquidity is the ability to turn an investment into cash quickly at a value close to the original amount of the investment. Only high-quality investments with short maturities would qualify as being liquid under this definition. In other word liquidity introduces marketability aspects and defines liquidity as the ability to turn an investment into cash quickly at a price close to the last transaction of the assets. Under this definition, many more investments would qualify as being liquid, since we ignored the safety-of-principal component that says we must sell at a price close to the cost to the investment. In investment planning it is important to allow for a certain degree of liquidity so that if cash is needed unexpectedly, an investment would not have to be sold for a loss in order to loss in order to raise the funds (Stevenson and Jennings: 1984)

2.1.12 Stock Market Information for Securities Investment

Investor makes their investment decisions on the basis of their expectations for the future. Many pieces of information influence investment decisions. Investors need to know the characteristics of various investments alternatives and must keep informed on the institutions and markets where they are available. Up to date information is required on the status of and trends in the economy, particular industries, and firms.

There are two broad categories of information: Internal and external. Internal information consists of data and events made public by firms concerning their operations .It mainly takes the form of interim and annual reports to shareholders, and public and private investments of the officers and managers of the firm. The principal information sources generated internally by a firm are its financial statements. The analyst does not, of course, limit inquiry to information provided by accountants, ingenious and competent analysts sample widely from many kinds of information.

External source of information are those generated independently outside the company. This source provides supplements to company-generated information by overcoming some of its bias, such as public pronouncements by its officers. The externals information sources also provide certain kinds of information not found in the materials made available by companies themselves (Fisher and Jordan: 2000).

Information helps the investors that the best investment decision taking among the above available. Information affects the prices of the securities of a company. Any information that affects the value of the company will also affects the price of its securities. This includes firm specific information of its future earnings, cash flows and growth prospects; macro economic information on inflation, interest rates and the economy; the industry specific information. As the managers of the company have control on the firm specific information they should provide such information to the investors (capital market) as soon as possible.

Importance of information

The information that one should seek to be able to invest knowledgeably can be broken down into:

a. Information on the company-its performance, its sales its profits and its products.
b. Information in the company's performance in relation to the other similar companies

c. Information on the industry in which the company operates. Industries go through periods of boom and depression. Some companies are more susceptible to economic depression than others. It is important to know at what stage of the economic cycle the company is in.
d. Information on the company at a period of drought, agro-based industries would not do well.
e. Information on government policy on legislation likely to be passed, on taxation to be imposed, or duties to be levied or reduced. All these would affect the performance of the company and as a result the share price.
f. Information on consumer outlook and fashions and spending. These can be of prime importance.

In Nepal, the investors do not properly understand the risk and reward of investing in the stock market. This leads to increase the savings into bank deposits rather than direct investment in the shares by the individual investors. In order to make informed decisions, investors must have access to accurate and timely information.

Investors' confidence in the Nepali stock market is relatively low because of stock market volatility. Investors put their money in shares expecting reasonable return to earn from it. Such returns in the form of both dividend appreciation and capital appreciation should be reasonable enough to attract them. Dividend as a prime motivator is worthy enough to attract the investor to make the investment decision, if provided enough and regularly. But the dividend policy and calculation is not so easy to analyze. Blank epitomizes the lack of consensus by stating the harder one look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together (Black Journal: 1976 and Adhikary dissertation: 2001)

2.2 Review of Journals, Research paper and Articles

2.2.1 Investor psychology

Psychology is one of the most essential factor at the stock market and one which is less understood. Investor perception towards the stock market and the herd mentality is one of the major reasons behind the changes in the stock market. However, investors also blame the current policy makers, politician at the decision making levels, peace and securities concerns, investment environment or international crises and frequently the regulatory body responsible for the fluctuations in the stock market. Besides, these investors also view weak fundamentals of the

company and sort of general investor awareness responsible for the worsening conditions of the market. However, the investors in Nepalese capital market are driven by crowd psychology and the investors in the capital market do not know why the market is running out of hope or in such a discouraging way. (Chaudhary: 2009)

Most investors ignore objective data, and are influenced by news from mass media; they buy stocks when price is high, and sell stocks when prices decrease sharply. This "buy high and sell low" behavior might not occur when investors are making decision individually without surrounding interfere.

Furthermore, owing to biased self-attribution, those who acquire wealth through successful investment may become more overconfident (see also Gervais and Odean (1998)). And when the investors are over confident, they commit themselves to trade aggressively. This may frightened the other investors to compete with the confident and informed traders, those known to be overconfident may earn higher returns (Kyle and Wang: 1997 and Benos: 1998).

The article written by Barber, Iehavy, McNichols, and Brett and Treman (2001), on the title "Can Investors Profit the Prophets?" assess that examines whether investors can profits from the publicly available recommendations of security analysis. Academic theory and Wall Street practices are clearly at odds regarding the issue. On the other hand, the semi strong form of market efficiency posits that investors should not be able to trade profitable on the basis of publicly available information such as analyst recommendation.

According to the article written by Sthapit: 2008 it was found that stock market is fully based on investors' sentiment and also the market sentiment is least understood. The positive sentiment raises the demand of shares where as negative sentiments lower the demand. Investor sentiment is such a soft sense that it is affected even by low priority information. There happened to be various events in macro economic situation and micro economic situations that are creating fluctuations in investor's behavior. Some of them are, political inconsistent, restricted stock market, titanic supply of shares in the market in recent years, rigid rules and regulations on marginal lending provisions, conversion of 19% promoters share to public share, high interest rate, economic back drop, alternative investment areas, companies fundamental, technological and human resources lagging and other factors as, international crises hampering Nepal in terms of employment remittance, trade, surge in gold prices and weak dollar, fluctuation of oil price.

On the other hand, Dr. Shrestha: 2008 also found out that the majority of the investors are not well informed, they mostly go by market whims rather than market fundamentals while investing in stocks. Dr. Shrestha further explains that, as per the theory of contractor opinions, most investors tend to be irrational: they keep on buying when the stock price is on rise and go on panic selling when the share price goes on tumbling. So, this philosophy is opposite to that recommended by Barron, which advices selling shares when their price are raising and buying when the price is dropping. One of the differences is the irrational investment decision on part of the uninformed investor. As per the theory of Contrary Opinions, "Most investors tend to be irrational: they keep on buying when the stock price is rising and they go on panic selling when the price starts tumbling." explains Dr. Shrestha.

In the article published in The Himalayan Times: 2011 daily newspaper about the SEBON's regulatory role by Singh that "For development of the country like Nepal capital market and institution are the key factors of development of any economy as they collects the saving from various sources and moves it to the capital to a group of entrepreneurs. So, capital market makes it possible to supply the required capital for the industries and infrastructure development.

2.2.2 Review of Previous Dissertation

As per present day lots of studies has been conducted in the area of stock market as well as in the field of investment behaviors. However, very few of them have relevance with the behavior of individual investor and their knowledge of financial sweeteners. The findings of related studies are presented below:

Subedi (2003) had conducted a study on "Investors Awareness in the securities Market in Nepal." The study had the following objectives:

- To find out whether the investors are adequately aware or not in the share trading.
- To trace out the investors attitude towards the share investment in comparison to investment in other sectors.

To achieve the objectives of this study, descriptive and analytical design has been used. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate awareness of investors in Nepalese security market and through analyzing following findings that are relevant to the current research have been drawn out:

- Out of the total investors 75.46 percent responded there were better opportunities for Nepalese investors in securities sectors. Among these respondents, who choose securities

market as better sector for investors, responded the banking, finance, insurance, manufacturing, hotel, trading and other sectors are suitable for investment in ranking.

- The regularly activities of the regulatory authorities were found inefficient as 32 percent of the respondents responded that the regulatory activities are efficient while 68 percent of them opposed the response.
- Friends and other sectors were found to be highly inspiring source to get the idea to invest in share while investors education program and brokers were found to be less inspiring sources to make investment in shares.
- The regulatory aspect of NEPSE is found at low to maintain the fair share trading activities as 29.17 percent of investors were found satisfied with the regulatory activities while 70.83 percent of them were found dissatisfied with their regulatory activities.
- The rumor and whim is found highly and moderately responsible in influencing the decision of the investors in share investment as responded by most of the investors whereas it is at low and very low responsible as per some of the investors.

Pandit (2004) has conducted a study on "Investors Preference and Financial Instruments in Nepal". The study has the following objectives:

- To explore widely used financial instruments in Nepal.
- To study the primary issues in Nepalese Financial Market.
- To analyze the preferences of the different investors of Nepal and to know what type of instruments the investors prefer the most.

In order to achieve the defined objectives Pandit has combined Descriptive, Exploratory and analytical methods. By the help of these followings has been drawn:

- The issuance of corporate securities made since 1993/94 shows that around 76% of total issue is covered by common stock is the most widely used corporate security. Government issues, show that Treasury bills are the mostly used government security, which covers around 39% of total government issues.
- Corporate securities, government securities, real estate and bullion are considered as the major investment alternative. Among them, corporate securities are found to be the most preferred investment alternative. Preferences over these alternatives in terms of different categories of investors were also found similar. However, as per the size of investors, small

investors showed high preference toward real estate also. Similarly, the employed investors preferred the corporate securities whereas unemployed preferred real estate.

- To focus more on financial instruments, common stocks appeared as the most preferred financial instrument. Preferences of different categories of investors, as well as different size of investors were also found similar. As per the issuance agreed that the capital market heavily depends upon common stock.
- Results showed that investors prefer banking and financial sector very much in comparison to other sectors. Analysis of subscription ratios showed that the issues of financial institutes are highly over subscribed in the primary market. In the secondary market trading also, last five years trading volume shows that more than 55% of trading volume is covered by the shares of commercial banks.
- Growth (capital gain) was found to be the most preferred investment objective for all type of investors. When only stock investment was considered, then also investors preferred capital gain. Bonus shares appeared as the second preferred objective of the stock investment.
- More than 30% respondents have never invested on government securities. Majority of those who have invested said that they have invested because of safety. Those who are aware and have invested in government securities disagreed that the low yields make government securities unattractive to individual investors.
- Most of the investors were found educated but education has nothing to do much with the knowledge of market and investment opportunities. Only 37.7% were found who consider the factor like forecasted profits of the companies while investing. Awareness toward the derivatives is found to be very poor. 58.2% of respondents said they have not ever heard about derivatives.
- When alternatives with increasing risk and return, were asked to select. Majority of investors selected alternative with moderate risk and return.

Risal (2008) conducted a study on the "Investors' Perception & preference on financial Instruments in Nepal's Capital Market." The study had the following objective:

- To study the investors' perception & preference on financial instruments in Nepal's Capital Market.
- To explore different financial instrument position in the security market.

- To find out whether the investors are adequately aware or not regarding investment in security market.
- To suggest and recommend to the concerned bodies with the help of major findings of the study.

The findings related to the topic are as follows:

- It was found that from the respondents' response that Nepalese investor mainly invests for the purpose of profit.
- It was found that the most of the Nepalese investors buy the securities from both markets. We find the investors go for the primary as well as secondary market, but majority of responses proves that they go for both market to purchase the security
- It was found from the responses made from the respondent that the most of the Nepalese investor made the investment decision on the basis of Technical analysis.
- The majority of the respondents stated that the Nepalese investors are not satisfied with the return from their investment.
- It was found from the respondents responses that majority of investor are not aware regarding their investment in Nepalese security market.
- It was found out that major portion of the investors is influenced for investing in security is mainly for dividend/ returns.
- With respect to the rules and regulation of government, it was found that the existing rules and regulations were not sufficient to protect the investor's investment in the security market.

2.3. Research gap

Though there has been many researches done relating to the perception of investors and some of these researches have tried to figure out some variables of the behavioral aspects of the investors like influence of family, friends, broker information and some variables of motivation but there are many other variables that must be still studied under the behavioral aspect of the investors that too in detail. So, there is a greater need to understand what are the various behavioral factors affecting the investors decision. Hence, there is need of a research for knowing the various variables influencing the behavioral aspect of the investors and how the various behaviors relate to each other. We can find lot of investors having the academic degree, but this academic degree is becoming useless in security investment. Most of them have found that they invest in security due to the whim and rumor. In the collection of primary data it was found that they invested in purchasing the banking sector share because it will provide a lot of return, they never analyze which bank is financially in weak condition, risk imposed on investing in that bank and so on. This is the case of Kathmandu valley, than what to imagine the awareness level of investors outside the Kathmandu valley. In this context how the company feel safe to issue new type of security to the general public and it is believed that one third of investor are outside of Kathmandu valley. Most probably, I personally think that due to this reason the companies are depending only on these limited securities for collecting the funds, and this will continue for couple of more years.

CHAPTER III

RESEARCH METHODOLOGY

This chapter deals with the instruction regarding the method and process associated with overall study. A method can be described as an instrument in solving problems and in arriving at new knowledge of the subject in question. Everything that contributes in achieving these goals is a part of method. It is important that the method is consistent with the reality that has being researched. Furthermore, the achieved result should generate increased comprehension and understanding of the problem being examined. (Holmes and Solvang: 1996). Methodology shows the nature of the data that was collected, modes used for the collection of data along with the study approach that was used. It also includes the type of research that was conducted.

3.1 Research Plan and Design

A research plan basically points out the issue" what will you do and why?" A work plan details what has to be done to complete the project. A research design is a systematic plan that focuses towards the real objective of the research.

A Research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. It is the plan, structure and strategy of investigation concerned so as to obtain answers to research questions and to control variances. The research design refers to the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and the analysis of data. The study is intended to find the various aspects of investor's behavior in Nepal's capital market. The study is based on qualitative measure of data. However, the qualitative data are coded quantitatively. The sources of data are mainly primary and some secondary data in nature. For primary data there is a list of questionnaire to find out answer to research question.

Descriptive study is a fact-finding investigation with adequate interpretation. Descriptive statistics are used to describe the basic features of the data in a study. Descriptive statistics will be used while organizing, analyzing, and presenting data which includes the numerical, graphical, and tabular techniques. Under graphical presentation of the data mostly bar diagram and pie chart will be used and frequency table and cross tabulation (bi-variate) will be used for the tabular presentation of the data.

3.2 POPULATION AND SAMPLE

Individual investors, brokers, staff members of NEPSE and other related parties to securities market are the total population of the study. Stratified and purposive sampling methods have

been used to select the samples. The details of Broker firms and other related information is in Appendix A. The samples of the study are as per following table:

S.N.	Categories	Samples	Responses
1.	Investors	35	27
2.	Brokers	22	13
3.	Staff members of NEPSE	10	10
	Total	67	50

Altogether 240 companies (up to 2011) have listed their shares in NEPSE in order to make them eligible for trading. Professional investors are the investor who is engaged as buying and selling of securities. Brokers are the person who acts as a middle man for trading of securities. The staff members of NEPSE have also been considered as the basis of allocation of their views regarding the financial instruments of the Nepal.

There are indefinite numbers of investors. It is really not possible to include all the number of investors all around the country. So, total population size of the investors includes those indefinite numbers. Only 67 investors are selected for this research under which 50 responded because of various unknown causes. There are altogether 27 licensed brokers and out of which 22 are selected for the sample but 13 of them responded. Likewise only 10 staffs of NEPSE are selected as samples and all of them gave a response.

3.3 Nature and sources of data

Data for the survey is primarily collected through the survey in the form of questionnaire as well as research based on existing materials concerning the behavioral aspects of the investor.

a. **Primary Data**

Primary data refers to the data which is collected for specific purpose and which is required in order to compliment secondary data (Wiedersheim-Paul and Eriksson, 1997). The primary data in the thesis consist of the questionnaire (Appendix No.B) directed to active individual investors. The private investors are represented by those investors who spend most of their time in some brokerage firm and are actively involved in trading. Out of 67 questionnaire distributed almost 17 of them were left unanswered. So, 50 questionnaires were filled up correctly.

The questionnaire consists of 22 questions concerning the fundamental factors related with the behavior of the investors and their knowledge of financial sweeteners.

b. Secondary Data

Secondary data refers to the existing collected and summarized material of related to the subject in question. This data originates from sources such as data bases, literature, journals and the internet. The secondary data used in the research are existing theories of behavior finance and related articles, journals, literatures and other past researches relating to the topic. The sources of secondary data are as:

- Periodicals magazines, journal and newspaper
- Annual reports published by SEBON and Nepal Rastra Bank
- Government materials related to this study.
- Unpublished master degree thesis related to this study.
- Books related to financial management.

3.4 DATA COLLECTION TECHNIQUE

Secondary data and information are collected from the annual report published by NEPSE, SEBON and NRB. For collecting primary data and information, the schedules of questionnaire

have been developed and provided to the investors and other related parties. Their opinion have been taken and used as vital information for this research.

3.5 DATA ANALYSIS TOOLS

The major instrument for the research is a list of structured questionnaire. Questionnaires were distributed to the individual investors in different brokerage offices so that their views, opinions, ideas and experiences can be obtained and that information will be valuable for analyzing and interpretation of investors. The respondent for the questionnaire were selected on the basis of convenience method. So, those investors who were found trading in the broker offices were selected as the respondents to find out the general behavioral aspects of the investors in capital market.

Data from questionnaires have been gathered and tabulated systematically and then have been analyzed using percentage. The comparative analysis has also been undertaken using graphs and chart. The responses of related parties of questionnaires have been presented according to question patterns in the columns of table with observed and expected frequencies. These observed and expected frequencies have been tested using chi-square test.

Percentage Analysis

The percentage analysis is done to find out the general information about the data regarding the behavior of the investors. The percentage analysis is used for significant test of the most common situation.

Chi Square test

Chi- square test can be used to examine whether there is an association between the rows and columns in the contingency table. More specifically, this statistics can be used to determine whether there is any difference between the study groups in the proportion of the risk factor of interest. The chi square test statistics is designed to test the null hypothesis that there is no association between the rows and columns of the contingency table. Chi-square test can assume different levels of complexity and may be known by names other than a “measure of association. Sometimes chi-square tests are also regarded as a test relating to “goodness of fit”.

In testing of hypothesis, chi square test has been used. Expected frequencies were calculated by applying following formula:

$$E = \frac{RT \times CT}{N}$$

Where,

RT = Row Total

CT = Column Total

N = No. of observations

Calculated values of chi were calculated by applying following formula:

$$\chi 2 = \frac{(O-E)2}{E}$$

Where,

O = Observed Frequency

E = Expected Frequency

3.6 LIMITATION OF THE METHODOLOGY

This study is mainly related to investor's preferences and financial instruments in Nepalese securities market. As per the research objectives, both primary and secondary data has been used. Like other studies, this study has also some common limitations of the methodology. Some of the limitations are listed below:

- There may be chance of error in the hypothesis testing due to biased information provided by the responses.
- Measurement cannot be assured of cent percent accuracy because risk is caused by numerous factors such as social, political, economic and managerial efficiency.
- Only one factor –Individual Investor is taken for the study. Impact of other aspects (factors) besides this has not been studied.
- The samples have been drawn at random for convenience, so there may exit some sampling error. And the sample size may not be sufficient to generalize the findings.

CHAPTER –IV

PRESENTATION AND ANALYSIS OF DATA

This chapter includes the analysis of primary and some secondary data along with their result and interpretation. This chapter is divided into three sections. The first section includes the presentation and analysis of secondary data. The second section includes the presentation and analysis of primary data collected from different respondents. And third section encompasses the major findings of the study.

4.1.1 Collective Investment Scheme

A. Citizen Unit Scheme

In a fiscal year 2009/10, Citizen Investment Trust (CIT) sold its unit amounting to Rs.1008.83 million and repurchased unit amounting to Rs.662.12 million under Citizen Unit Scheme. By the End of fiscal year 2009/10, the total investment was Rs.360 million and profit was Rs.0.71 millions under the scheme. The total number of participants of the scheme reached 2050. In the fiscal year 2009/10 the scheme distributed 9% dividends to its unit holders. The performance of Citizen Unit Scheme is presented in table 4.1.1.

Table 4.1.1 Performance of Citizen Unit Scheme

(Rs. In Millions)

		Fiscal Year			
S. N	**Particular**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
1	Total amount of unit sold	170.23	980.03	953.47	1008.83
2	Total amount of unit repurchased	100.41	200.22	264.53	662.12
3	Investment	752.2	804.78	708.29	360
	(a) Government Bond	93.2	93.2	89.12	88.8
	(b) Bank Deposit (Fixed)	490.6	529.5	432	218.05
	(c) Share/ Debenture	28.9	42.59	47.62	53.15
	(d) Loan & Advances	139.5	139.56	139.55	-
4	Net Income	49	65	2.64	0.71
5	Dividend (%)	6.25	6.25	9	9
6	Number of Unit holder	2840	2426	2050	1466
	(a) Individual	2747	2323	1947	1365
	(b) Institutional	93	103	103	101

(Annual Report SEBON: 2009/10)

B. NCM Mutual Fund, 2002

In the fiscal year 2009/10 under the NCM Mutual Fund, 2002 total investment reached to Rs. 142.26 millions and the net asset value (NAV) reached to Rs.391.70. Total number of unit holders of the fund by the end of the fiscal year 2009/10 was 2951 comprising 2931 individual and 20 institutions. As per the information submitted by the NIDC Capital Markets Ltd. Per unit net asset value and per unit market price of the fund are Rs.39.17 and Rs.32 respectively by the end of the fiscal year 2009/10. The details of performance trends are presented as:

Table: 4.1.2 Performance of NCM Mutual Funds

(Rs. In Millions)

		Fiscal Year			
S. N	**Particular**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
1	Investment	198.3	194.78	151.53	142.26
	(a) Share/ Debenture	86	88.95	90.8	97.95
	(b) Government Bond	10	10	10	10
	(c) Bank Deposit (Fixed)	93.3	81.93	16.34	2.64
2	Net Income	23.1	47.68	34.25	13.98
	(a) Dividend in Share	3.4	3.3	3.85	4.29
	(b) Interest in Government Bond/ Debenture	0.8	0.8	3.49	2.08
	(c) Bank Interest	3.9	10.67	0.72	0.85
	(d) Income from sale of share	15	32.89	26.17	6.74
3	Net Assets Value	314	488.88	536.85	391.7
4	Outstanding Unit (In Thousands)	10000	10000	10000	10000
5	Net Asset value per unit (Rs)	31.4	48.89	53.69	39.17
6	Per Unit Market Price (Rs.)	-	-	-	-
7	Number of Unit holder	2417	2950	2951	2951
	(a) Individual	20	20	20	20
	(b) Institutional	2461	2930	2931	2931
8	Dividend (%)	5	15	15	-

(Annual Report SEBON: 2009/10)

4.2.1 Presentation and analysis of Primary data

A. Demographics Analysis

1. Age

Table 4.2.1

Investors Age Analysis

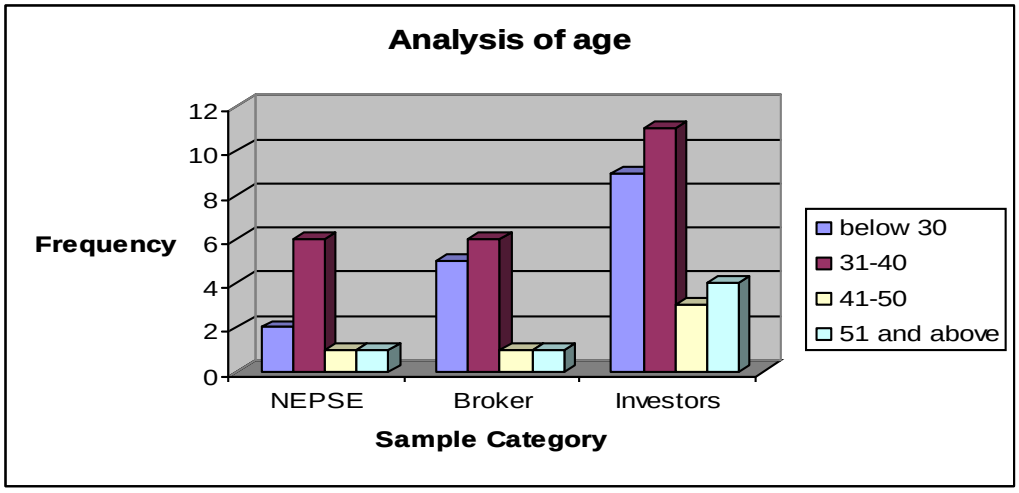
S.N.	Age	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Below 30	2	20	5	38.46	9	33.33	16	32
2	31-40	6	60	6	46.15	11	40.74	23	46
3	41-50	1	10	1	7.7	3	11.11	5	10
4	51 and above	1	10	1	7.69	4	14.82	6	12
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 1)

In the above table 4.2.1, it is clearly given the respondents age groups. Majority of the investors i.e. 46% of respondent are of the age group of 31-40 years, 32% of the respondents are of age group below 30, 12% are 51 and above and 10% of respondent are between 41-50. The following chart shows the age variable of different investors.

Fig 4.2.1

Chart showing investor's age group



The column chart presented in fig 4.1.1 clearly depicts the age of investor regarding the investing behavior. In the figure we can see that most of the investors are between the ages bars of 31-40. On the basis of all this study we finally conclude that most of the investors investing behavior are between the ages bars of 31-40.

Hypothesis Testing

To test the hypothesis whether there is significant difference or not between the ages of different corresponding groups, chi-square test has been used. The computed chi- square value is 3.76706 and the critical value at 5 percent level of significance for d.f = 6 are 12.592 (Appendix C**)**. The computed value is less than the critical value. Therefore, it can be stated that there is no significant difference in the ages of different responding groups.

2. Gender

Table 4.2.2

Investors Age Analysis

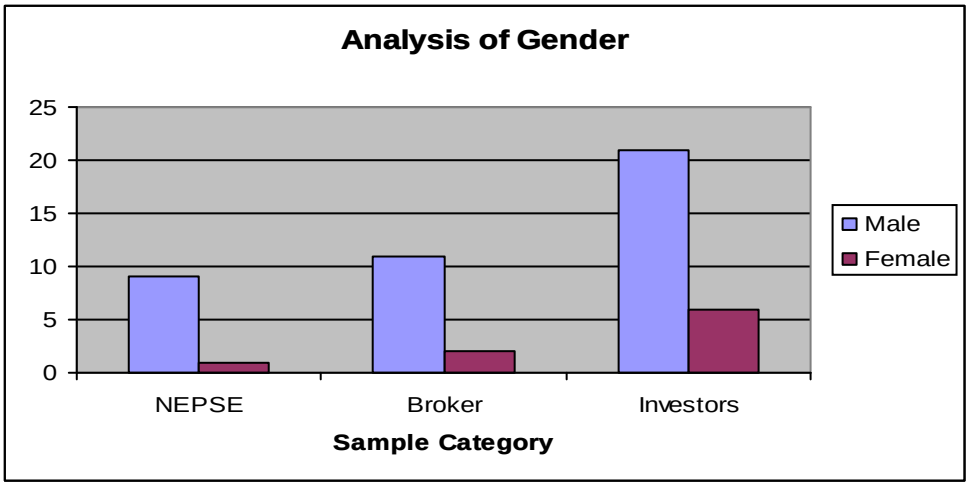
S.N.	Gender	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Male	9	90	11	84.62	21	77.78	41	82
2	Female	1	10	2	15.38	6	22.22	9	18
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 2)

The survey report regarding the participation of male and female in the investment behavior shows that 82% of male and 18% of female are active in investing activities.

Fig 4.2.2

Chart showing investor’s gender



In the column chart presented in fig 4.1.2 clearly shows the gender of investor regarding the investing behavior. From the figure we can say that, In Nepal male investors are more than the female.

Hypothesis Testing

To test the hypothesis whether there is significant difference or not between the genders of different corresponding groups, chi-square test has been used. The computed chi- square value is 0.81995 and the critical value at 5 percent level of significance for d.f, v = 2 is 5.99 (Appendix C**)**. The computed value is less than the critical value. Therefore, it can be stated that there is no significant difference in the gender of different responding groups.

3. Education

Table 4.2.3

Table showing investor's Education Level

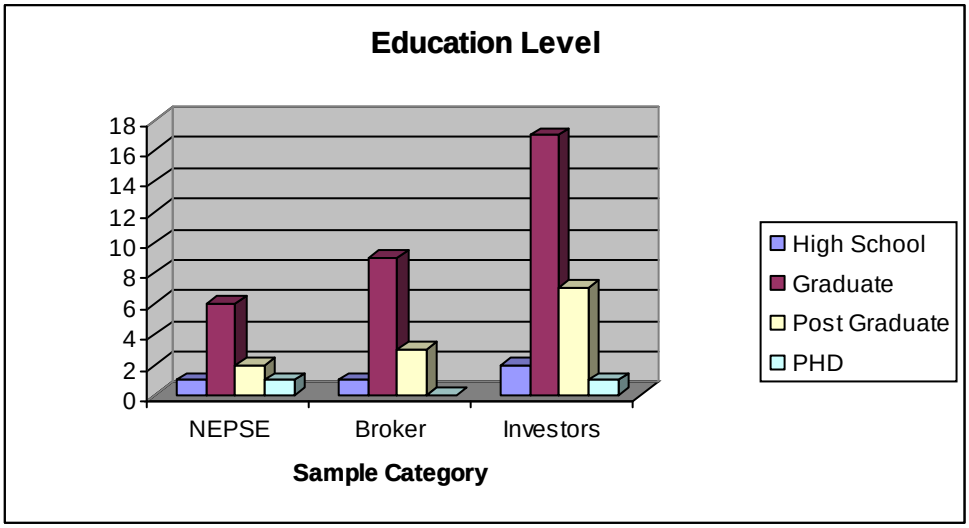
Education Level	NEPSE		Brokers		Investors		Total	
	Nos.	%	Nos.	%	Nos.	%	Nos.	%
High School	1	10	1	7.692	2	7.407	4	8
Graduate	6	60	9	69.23	17	62.96	32	64
Post Graduate	2	20	3	23.08	7	25.93	12	24
PHD	1	10	0	0	1	3.704	2	4
Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 3)

The 3rd question regarding the education showed that, out of the total respondents 8% of them were found to be having the education qualification till high school, 64% of them were graduating, and 24% of them were post graduate and only 4% of them were PhD holder.

Fig 4.2.3

Chart showing investor's gender



The chart shows that most of the investors from all level are graduating. From the figure we can say that In Nepal educated people are emphasis in investing behavior.

Hypothesis Testing

To test the hypothesis whether there is significant difference or not between the education levels of different corresponding groups, chi-square test has been used. The computed chi- square value is 1.6875 and the critical value at 5 percent level of significance for d.f, v = 6 is 12.592 (Appendix C**)**. The computed value is less than the critical value. Therefore, it can be stated that there is no significant difference in the education of different responding groups.

4. Occupation

Table 4.2.4

Table showing Investors Occupation Analysis

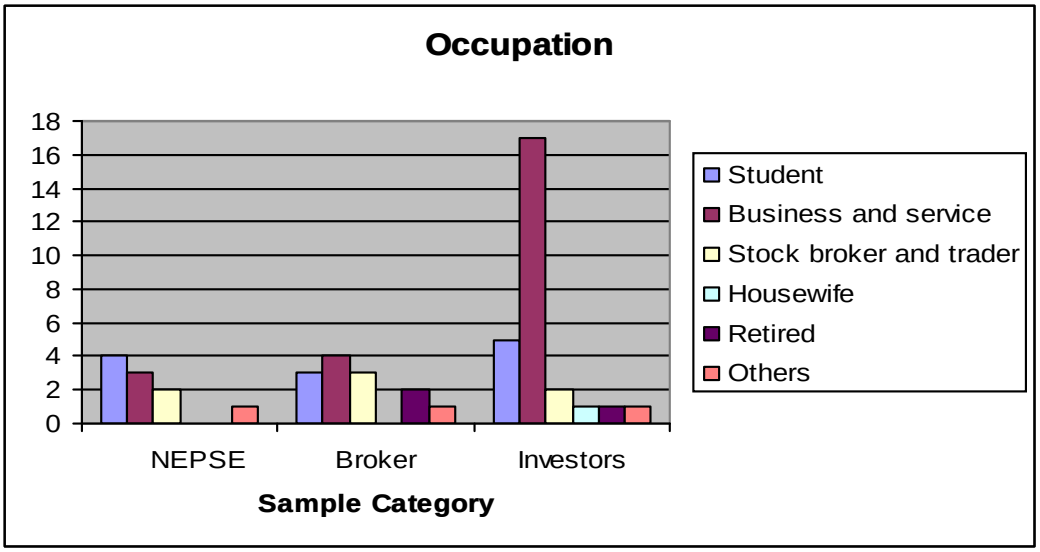
S.N.	Occupation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Student	4	40	3	23.08	5	18.52	12	24
2	Business and service	3	30	4	30.77	17	62.96	24	48
3	Stock broker and trader	2	20	3	23.08	2	7.41	7	14
4	Housewife	0	0	0	0	1	3.7	1	2
5	Retired	0	0	2	15.38	1	3.7	3	6
6	Others	1	10	1	7.69	1	3.7	3	6
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 4)

The 4th question regarding the occupation found out that, out of the total respondents though all of them were those involved actively in stock trading but then they were also from other profession at the same time. 24% of them were students, 48% of them were business man and service holder, 14% of them were stock broker and trader, 2% of them were housewife, 6% were retired and 6% were having some other profession.

Fig 4.2.4

Chart showing occupation analysis



From the chart we can conclude that most of the investors are included in Business and Service except investing.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 10.17153 and the critical value at 5% level of significance for d.f., v=10 is 18.307 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that the opinions of

the NEPSE, Broker and Professional Investors are same and there is no significant between the responses.

5. Monthly Family Income

Table 4.2.5

Table showing Investors Monthly Income

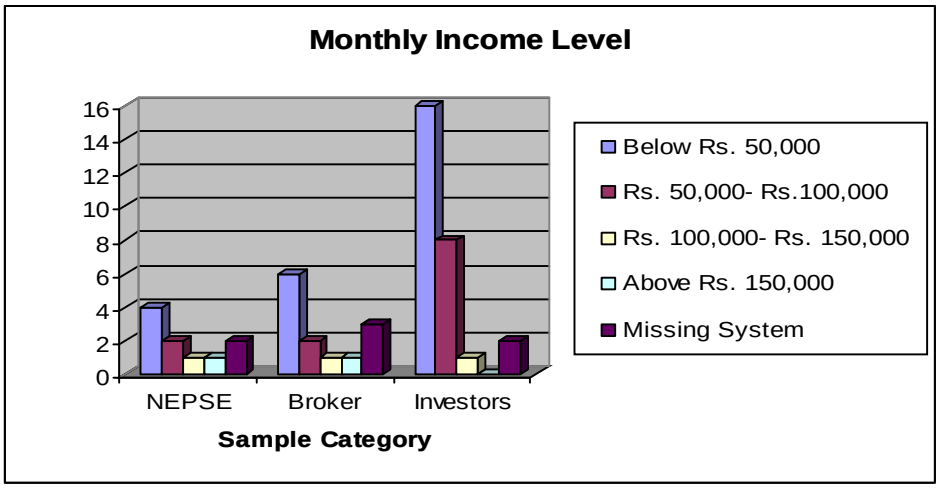
S.N.	Income	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Below Rs. 50,000	4	40	6	46.15	16	59.26	26	52
2	Rs. 50,000- Rs.100,000	2	20	2	15.38	8	29.63	12	24
3	Rs. 100,000- Rs. 150,000	1	10	1	7.69	1	3.7	3	6
4	Above Rs. 150,000	1	10	1	7.69	0	0	2	4
5	Total	8	80	10	76.92	26	96.3	43	86
6	Missing System	2	20	3	23.08	2	7.41	7	14
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 5)

The 5th question regarding monthly family income found out that, 52% of the respondents who responded to the questionnaire have monthly family income of Rs. 50,000 and below, 24% have monthly family income between Rs. 50,000-100,000, 6% of them have it between Rs. 100,000-Rs.150,000 and only 4% of them said they have it above Rs.150,000. However, 14% of the respondents did not disclose their family income.

Fig 4.2.5

Chart showing investor's Income Level



From the chart we can said that most of the investor's monthly family income is below Rs.50,000.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 6.3107and the critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

6. Marital Status

Table 4.2.6

Investors Age Analysis

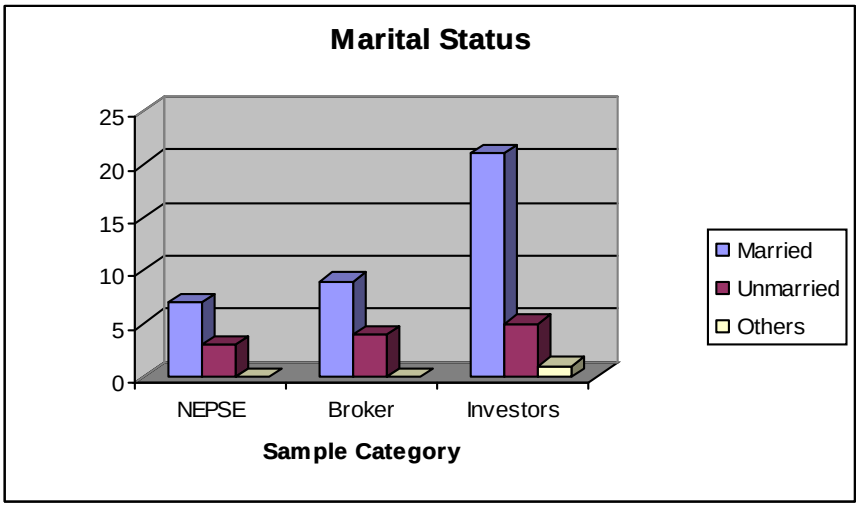
S.N.	**Marital Status**	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Married	7	70	9	69.23	21	77.78	37	74
2	Unmarried	3	30	4	30.77	5	18.52	12	24
3	Others	0	0	0	0	1	3.704	1	2
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 6)

The 6th question regarding marital status found out that, 74% of the respondents were married and 24% of them were unmarried whereas 2% were divorced.

Fig 4.2.6

Chart showing investor's Marital Status



From the chart shows we can say that the most of the investors in Nepal are married.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.7017and the critical value at 5 % level of significance for d.f., v=4 is 9.488 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

B. General Behavior of Investors

7. Investment in Stock Market and Sector-wise Investment

Fig 4.2.7.

Table showing Investors Sector wise Investment

S.N	Research Variable	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Commercial Bank	2	20	2	15.38	5	18.52	9	18
2	Finance Company	-	-	1	7.692	1	3.704	2	4
3	Hotel	-	-	-	-	2	7.407	2	4
4	Manufacturing Company	-	-	-	-	1	3.704	1	2
5	Commercial bank, finance co. and hydropower	3	30	3	23.08	3	11.11	9	18
6	Hydropower	2	20	2	15.38	4	14.81	8	16

7	Commercial bank, finance company, hotel and development bank	2	20	3	23.08	7	25.93	12	24
8	All mentioned above	1	10	2	15.38	4	14.81	7	14
	Total	10		13	100	27	100	50	100

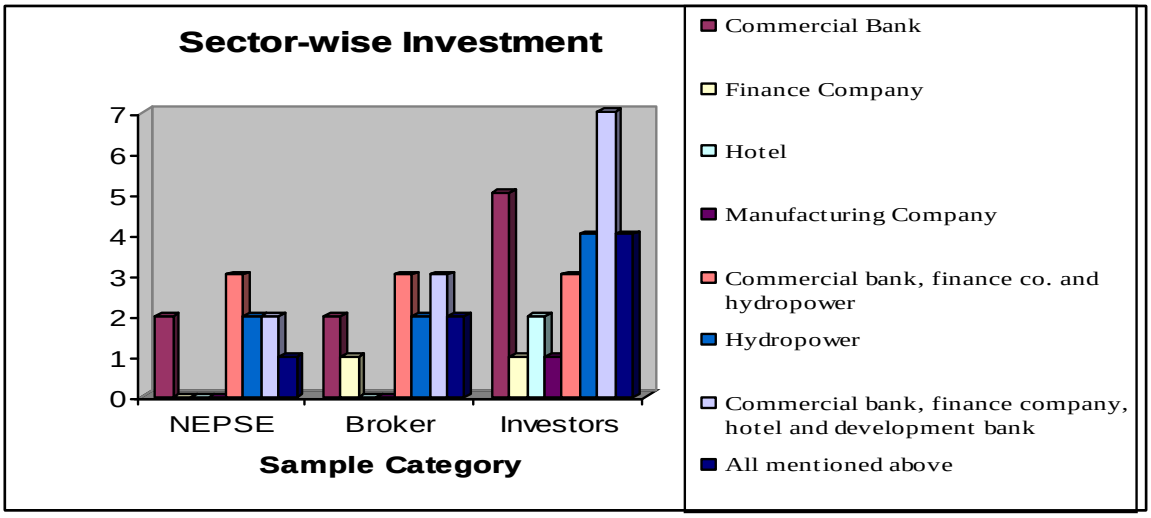
(Source: Field Survey, Questionnaire no: 7)

We can see from the above table 4.2.7. that When the respondents were asked in which sector is their major investment, 18% of them said they have investment in Commercial bank, 4% of them said they have investment in finance company, 4 % of them said they have investment in hotel, 2% of them have investment in manufacturing company, 18 % of them have investment in commercial bank, finance company and hydropower combined, 16% of them have investment in hydropower, 24 % of them have investment in commercial bank, finance company, hotel and development bank combined. Whereas 14 % of them have portfolio of all the sectors included in questionnaire.

The following chart shows the data of investor's preference as the sector wise listing Research variable including Banking, Finance Co., Insurance Co., Hotel, Manu Co., & and others.

Fig 4.2.7.

Chart showing investor’s Sector wise Investment



Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 5.5629 and the critical value at 5 % level of significance for d.f., v=16 is 26.296 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

8. Market-wise Investment

Table 4.2.9.

Table showing Investors Market-wise Investment

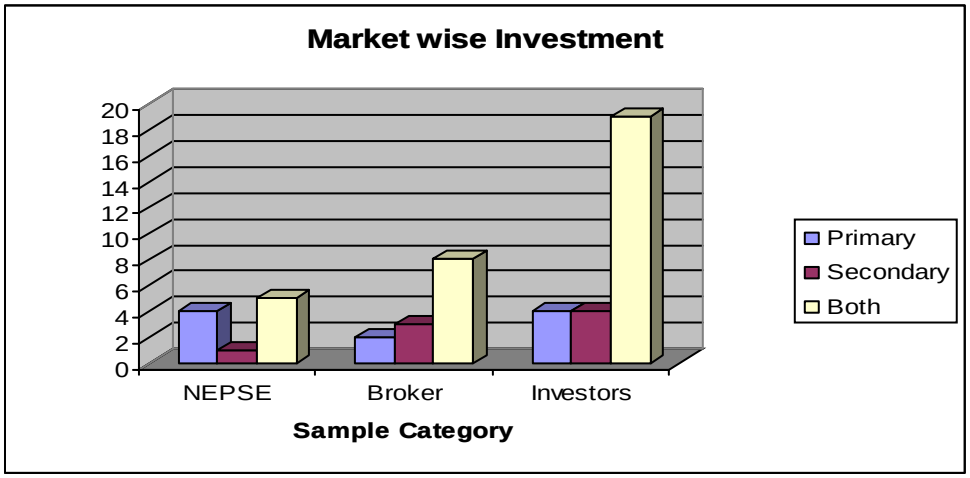
S.N.	Market-wise	NEPSE		Broker		Investors		Total	
	Investment	Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Primary	4	40	2	15.38	4	14.81	10	20
2	Secondary	1	10	3	23.08	4	14.81	8	16
3	Both	5	50	8	61.54	19	70.37	32	64
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 8)

8th question regarding the market wise investment revealed that, 20 % of respondents who filled up the questionnaire said that they invest primarily in primary market, 16% of them said they invest in secondary market and 64 % of them said that invest in both the markets.

Fig 4.2.8.

Chart showing investor's Market wise Investment



From the chart we can simply said that Investors are mostly attracted to both primary and secondary market.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.6468 and the critical value at 5 % level of significance for d.f., v=4 is 9.488 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

9. Hours Spend for Thinking and Analyzing before Investment in Stock

Table 4.2.9.

Table showing Investors Hours spend for thinking and analyzing

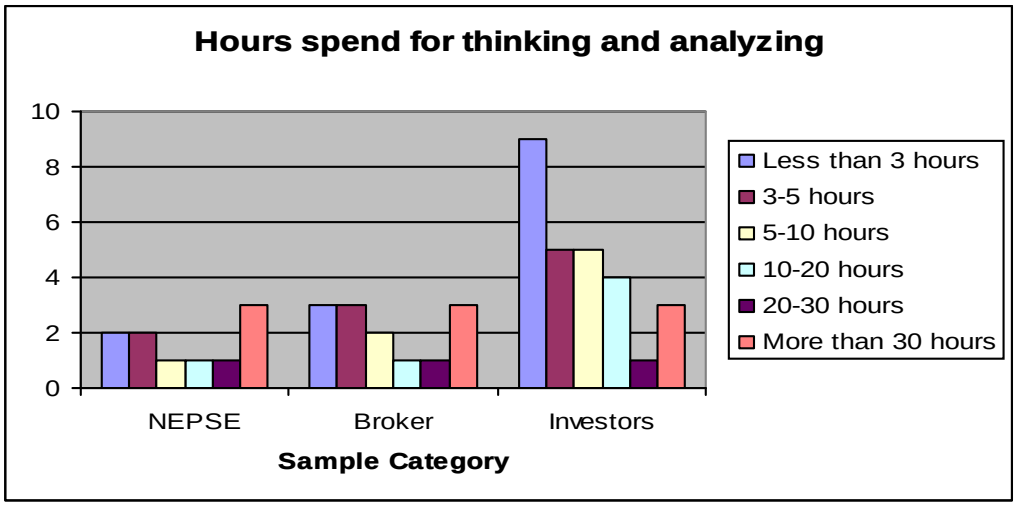
S.N	Hours spend for thinking and analyzing	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Less than 3 hours	2	20	3	23.08	9	33.33	14	28
2	3-5 hours	2	20	3	23.08	5	18.52	10	20
3	5-10 hours	1	10	2	15.38	5	18.52	8	16
4	10-20 hours	1	10	1	7.692	4	14.81	6	12
5	20-30 hours	1	10	1	7.692	1	3.704	3	6
6	More than 30 hours	3	30	3	23.08	3	11.11	9	18
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 9)

9th question regarding hours spend before analyzing revealed that, out of the total respondents 28% of them said that they spend less than 3 hours for analyzing before investing in stock market, 20 % said they spend 3-5 hours, 16 % said they spend 5-10 hours, 12 % said they spend 10-20 hours, 6 % said they spend 20-30 hours and 18 % of them said that they spend more then 30 hours.

Fig 4.2.9.

Chart showing Investor's Hours spend for thinking and analyzing



The chart shows that most of the investors spend minimum time for thinking and analyzing in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.7183 and the critical value at 5 % level of significance for d.f., v=10 is 18.307 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

10. Portfolio of Stock in Numbers

Table 4.2.10.

Table showing Investors Portfolio of Stock

S.N	Portfolio of Stock	NEPSE		Broker		Investors		Total	
	(No. of Organizations)	Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	1 to 2	2	20	3	23.08	2	7.407	7	14
2	2 to 5	2	20	2	15.38	9	33.33	13	26
3	6 to 9	1	10	1	7.692	1	3.704	3	6

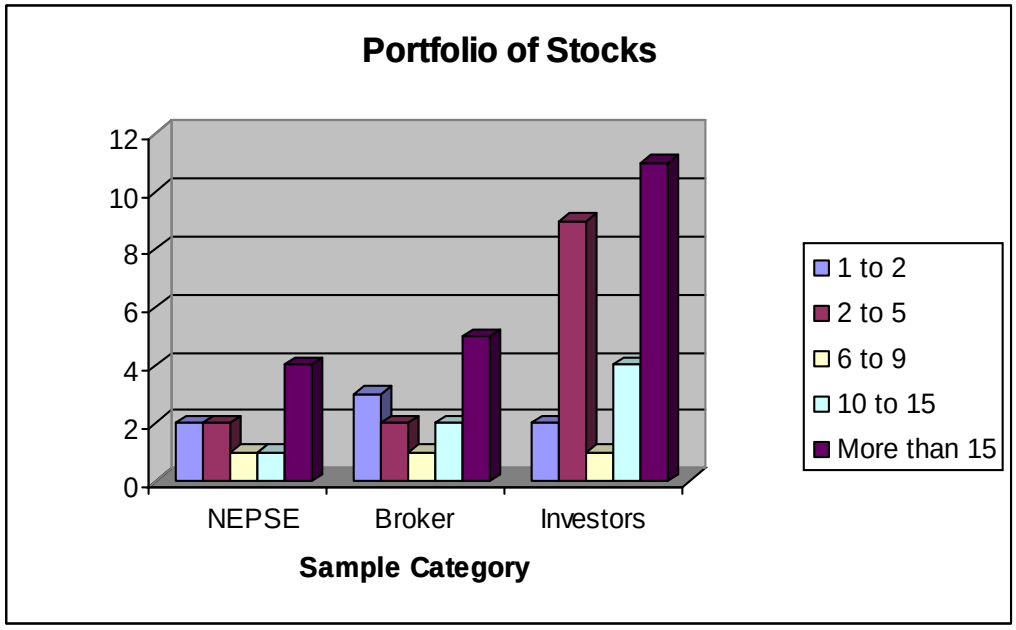
4	10 to 15	1	10	2	15.38	4	14.81	7	14
5	More than 15	4	40	5	38.46	11	40.74	20	40
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 10)

10th question regarding portfolio of stock revealed that, 14% of them said that they have 1-2 stocks in their portfolio, 26 % said they have 2-5 different organizations stock, 6 % of them said they have 6-9 different organizations stock, 14% of them said they have stocks of 10-15 organizations and 40% of the respondents said they have stock of more then 15 different organizations.

Fig 4.2.10.

Table showing Investors Portfolio of Stock



From the chart we can said that Nepalese investors are not limited within a limited stocks. They made investment as possible.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.843 and the critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

11. Percentage of Monthly Income Spend for Investment

Table 4.2.11.

Table showing Investors Monthly Income Spend for Investment

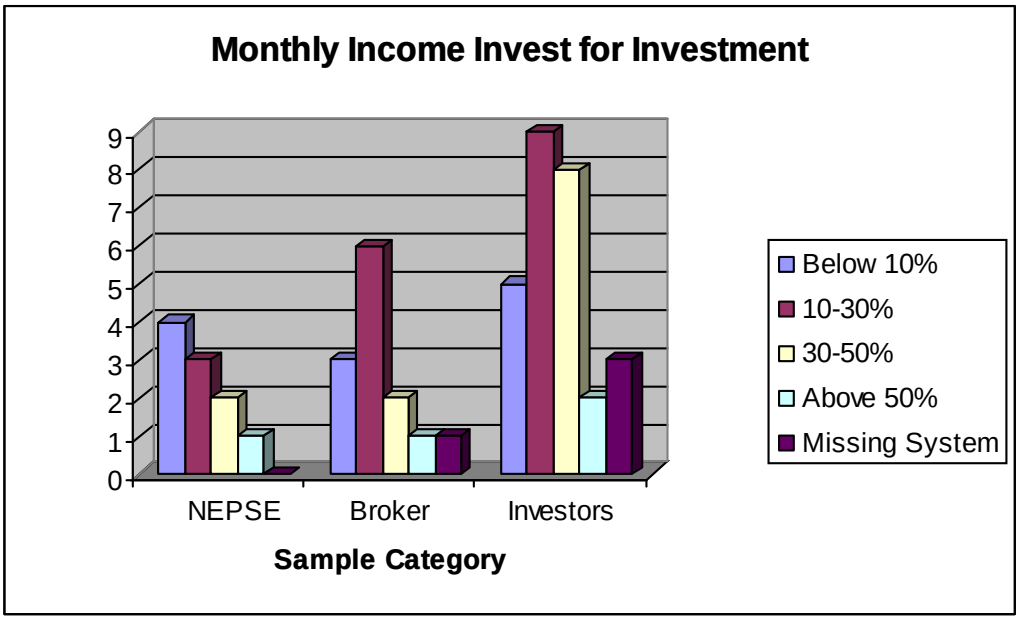
S.N		NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Below 10%	4	40	3	23.08	5	18.52	12	24
2	10-30%	3	30	6	46.15	9	33.33	18	36
3	30-50%	2	20	2	15.38	8	29.63	12	24
4	Above 50%	1	10	1	7.692	2	7.407	4	8
	Sub-Total	10	100	12	92.31	24	88.89	46	92
5	Missing System	0	0	1	7.692	3	11.11	4	8
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 11)

11th question regarding percentage of income spend for investment revealed that, 24% of respondents spend less then 10% of their income for investment, 36% of them said that they spend 10-30% of their income for investment, 24% of them said they spend 30-50% of their income, 8% of them said they spend above 50% of their income. However, 8% of the respondents didn't want to reveal the information.

Fig 4.2.11.

Figure showing Monthly Income Spend for Investment



From the chart we can said that most of the investors invests their 10-20%income for the investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.1518 and the critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

C. Herd Behavior of Investors

12. Analysis before an Investment

Table 4.2.12.

Table showing Individuals Investors Analysis before Investment

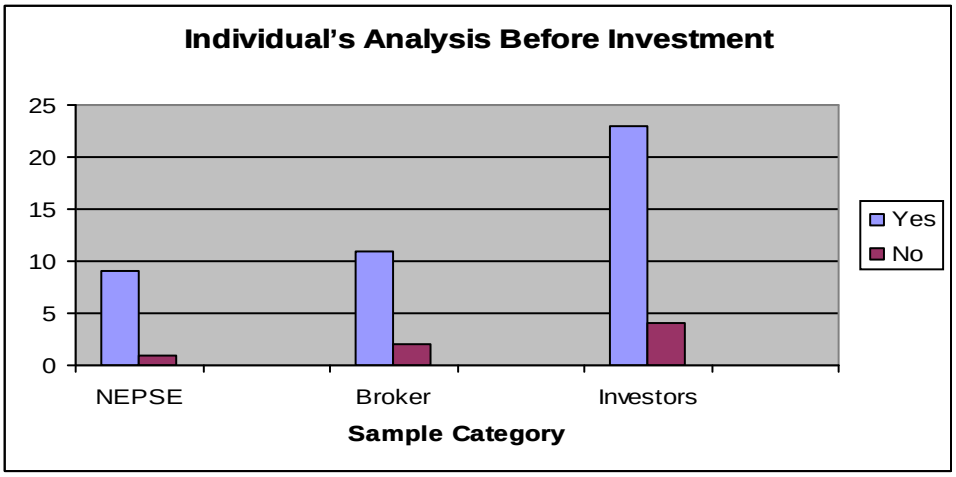
S.N.	Analysis before	NEPSE		Broker		Investors		Total	
	Investment	Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Yes	9	90	11	84.62	23	37.04	43	86
2	No	1	10	2	15.38	4	51.85	7	14
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 12)

12th question regarding analysis before investment showed that 86% of respondents said yes, where as 14% of them said no.

Fig 4.2.12.

Figure showing Individuals Investors Analysis before Investment



From the chart we can said that most of the investors analysis before making an investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 0.1685 and the critical value at 5 % level of significance for d.f., v=3 is 7.815 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

13. Which Analysis How Much Important?

13. a. Fundamental Analysis

Table 4.2.13.a.

Table showing Investors Fundamental Analysis before Investment

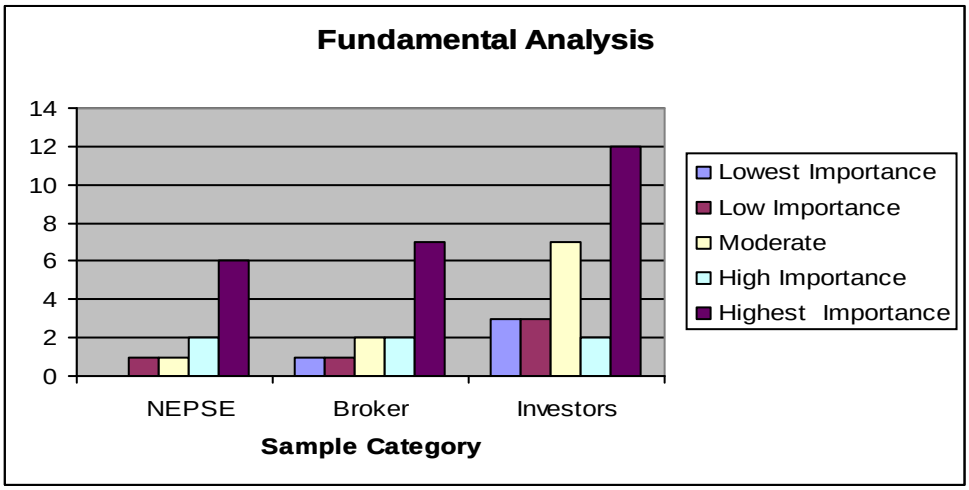
S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	0	0	1	7.692	3	11.11	4	8
2	Low Importance	1	10	1	7.692	3	11.11	5	10
3	Moderate	1	10	2	15.38	7	25.93	10	20
4	High Importance	2	20	2	15.38	2	7.407	6	12
5	Highest Importance	6	60	7	53.85	12	44.44	25	50
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 13.a)

13a question regarding how important is fundamental analysis to investors showed that, 8%of them said fundamental analysis is of lowest importance to them, 10% of them said, it is of low importance to them, 20% of them said, it is of moderate importance to them, 12% of them said it is of high importance to them and 50%of them said it is of highest importance to them.

Fig 4.2.13.a.

Figure showing Investors Fundamental Analysis before Investment



From the chart we can said that most of the investors think that the Fundamental Analysis is highest importance to them.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.8804 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

b. Technical Analysis

Table 4.2.13.b.

Table showing Investors Technical Analysis before Investment

S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	1	10	1	7.692	5	18.52	7	14

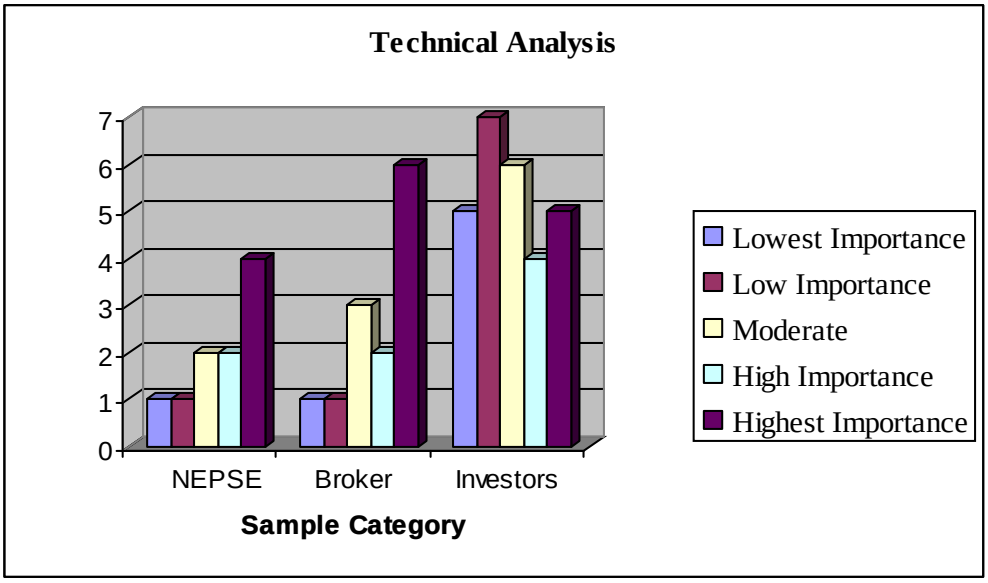
2	Low Importance	1	10	1	7.692	7	25.93	9	18
3	Moderate	2	20	3	23.08	6	22.22	11	22
4	High Importance	2	20	2	15.38	4	14.81	8	16
5	Highest Importance	4	40	6	46.15	5	18.52	15	30
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 13.b)

13d question regarding the knowledge of technical analysis shows that, 14% of the respondent said that technical analysis is of lowest importance to them, 18% of them said it is of low importance to them, 22% of them said technical analysis is of moderate importance to them, 16% of them said it is of high importance and 30% of them said it is of highest importance to them.

Fig 4.2.13.b.

Figure showing Investors Technical Analysis before Investment



From the chart we said that technical analysis is also highest importance to the investors.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 5.7456 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

c. Combination of Both Analyses

Table 4.2.13.c.

Table showing Investors both Analysis before Investment

S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	1	10	2	15.38	8	29.63	11	22
2	Low Importance	1	10	1	7.692	3	11.11	5	10
3	Moderate	2	20	3	23.08	9	33.33	14	28
4	High Importance	3	30	2	15.38	3	11.11	8	16
	Highest Importance	3	30	5	38.46	4	14.81	12	24
	Total	10	100	13	100	27	100	50	100

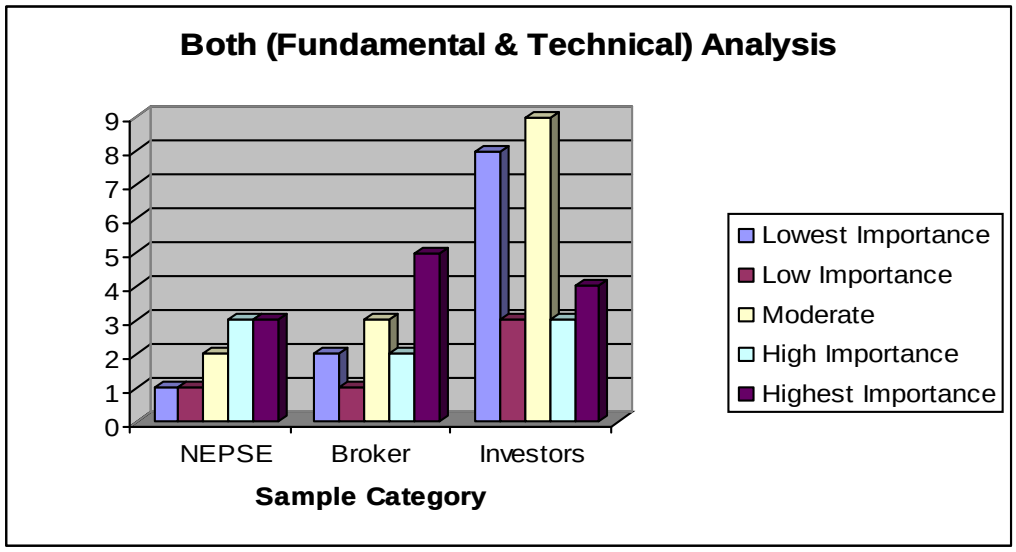
(Source: Field Survey, Questionnaire no: 13.c)

13c question regarding the importance of combination of both the fundamental and technical analysis showed that, 22% of them said it is of lowest importance to them, 10% of them said it is

of low importance to them 28% of them said it is of moderate importance to them, 16% of them said it is of high importance and 24% of them said it is of highest importance to them.

Figure 4.2.13.c.

Figure showing Investors both Analysis before Investment



If the investors are asked for the analysis of both investment policies, Most of them rank moderate for analyzing both techniques.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 6.2089 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

d. Analysis of Information Given by Broker

Table 4.2.13.d.

Table showing Investors both Analysis before Investment

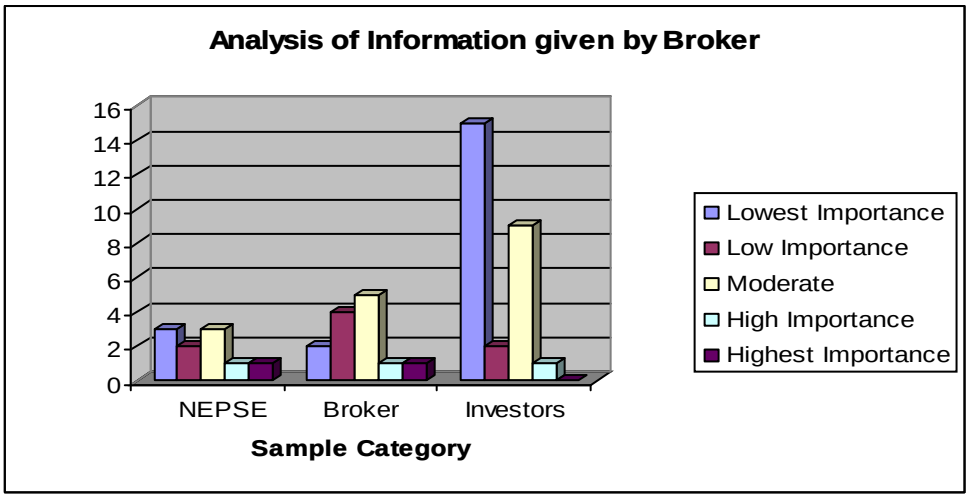
S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	3	30	2	15.38	15	55.56	20	40
2	Low Importance	2	20	4	30.77	2	7.407	8	16
3	Moderate	3	30	5	38.46	9	33.33	17	34
4	High Importance	1	10	1	7.692	1	3.704	3	6
	Highest Importance	1	10	1	7.692	0	0	2	4
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 13.d)

13d question regarding the importance of analysis of information given by broker to investors showed that, 40% of the respondent said that analysis of information given by broker is of lowest importance to them, 16% of them said it is of low importance to them, 34% of them said technical analysis is of moderate importance to them, 6% of them said it is of high importance and 4% of them said it is of highest importance to them.

Figure 4.2.13.d

Figure showing Analysis of Information given by Broker



Most of the investors are not satisfied with the information given by the broker. So, they give lowest importance to it.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 10.087 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

e. Analysis of Information Given by Friends

Table 4.2.13.e.

Table showing Analysis of Information given by Friends

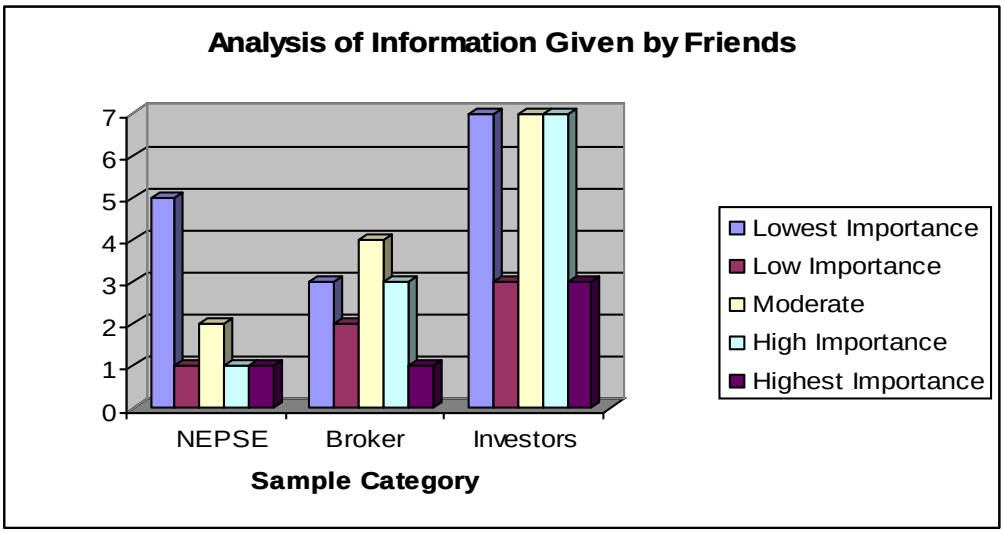
S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	5	50	3	23.08	7	25.93	15	30
2	Low Importance	1	10	2	15.38	3	11.11	6	12
3	Moderate	2	20	4	30.77	7	25.93	13	26
4	High Importance	1	10	2	15.38	8	29.63	11	22
	Highest Importance	1	10	1	7.692	3	11.11	5	10
	Total	10	100	12	92.31	28	103.7	50	100

(Source: Field Survey, Questionnaire no: 13.e)

13e question regarding the importance of analysis of information given by broker to investors showed that, 30% of the respondent said that analysis of information given by friends is of lowest importance to them, 12% of them said it is of low importance to them, 26% of them said analysis of information by friend is of moderate importance to them, 22% of them said it is of high importance and 10% of them said it is of highest importance to them.

Fig 4.2.13.e.

Figure showing Analysis of Information given by Friends



From the chart we can said that the information given by friends are also not much so importance to the Investors.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.848 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

g. Random Analysis

Table 4.2.13.f.

Table showing Random Analysis

S.N	Level of Importance	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Lowest Importance	4	40	5	38.46	13	48.15	22	44
2	Low Importance	2	20	2	15.38	5	18.52	9	18
3	Moderate	3	30	3	23.08	7	25.93	13	26
4	High Importance	0	0	1	7.692	1	3.704	2	4
	Highest Importance	1	10	2	15.38	1	3.704	4	8
	Total	10	100	13	100	27	100	50	100

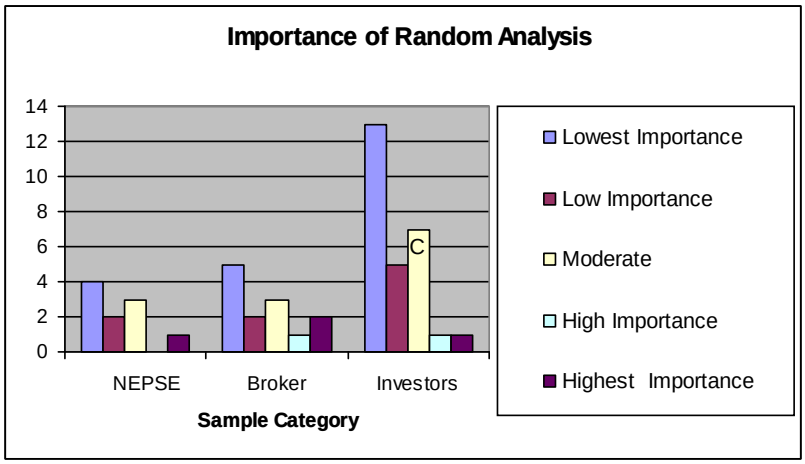
(Source: Field Survey, Questionnaire no: 13.g)

13f question regarding the importance of random analysis to investors showed that, 44%of them said random analysis is of lowest importance to them, 18% of them said, it is of low importance

to them, 26% of them said, it is of moderate importance to them, 4% of them said it is of high importance to them and 8%of them said it is of highest importance to them.

Figure 4.2.13.f.

Figure showing Random Analysis



From the chart we can said that the Random Analysis is not much importance to the Investors.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.8207 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

14. Various Factors Influencing Investors Herd Behavior

In order to know the behavior of investors, it was asked how much was their behavior influenced by various other factors. So the results were found as such:

a. **Influence by Others Behavior**

Table 4.2.14.a.

Table showing Investor Influence by other Behavior

S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	4	40	3	23.08	5	18.52	12	24
2	Low Level of Influence	3	30	4	30.77	1	3.704	8	16
3	Moderate Level	1	10	3	23.08	7	25.93	11	22
4	High Level of Influence	1	10	2	15.38	7	25.93	10	20

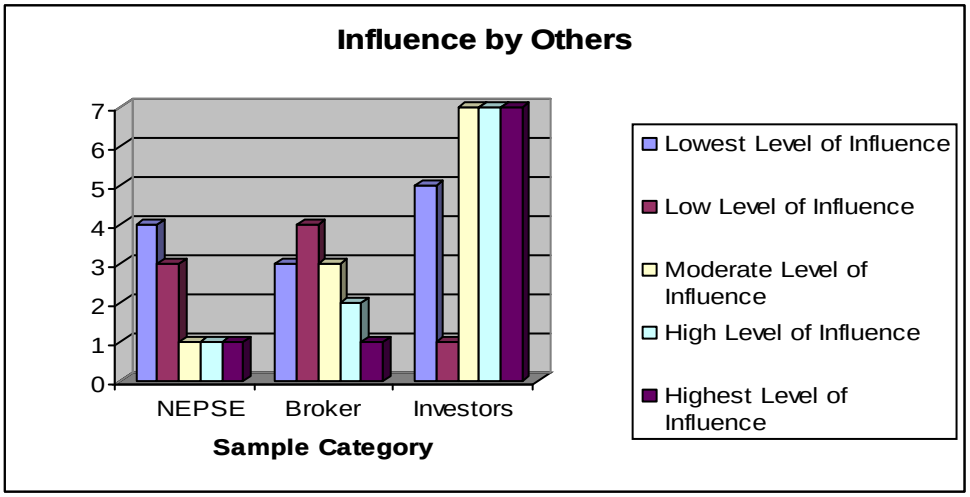
5	Highest Level of Influence	1	10	1	7.692	7	25.93	9	18
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.a)

Question 14a regarding, how much investors' behavior was influenced by the behavior of other investors in the market showed that, 24% of them said that their behavior was influenced at lowest level by the behavior of other investors, 16% said that their behavior was influenced at low level, 22% of them said it was influenced moderately, 20% of them said their behavior was influenced highly and 18% of them said it was influenced at the highest level.

Fig 4.2.14.a.

Figure showing Investor Influence by other Behavior



From the chart we can said that the investors are influence by the others behaviors in investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 10.986 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

b. Influence of Family and Friends

Table 4.2.14.b.

Table showing Analysis of Investors Influence by Family and Friends

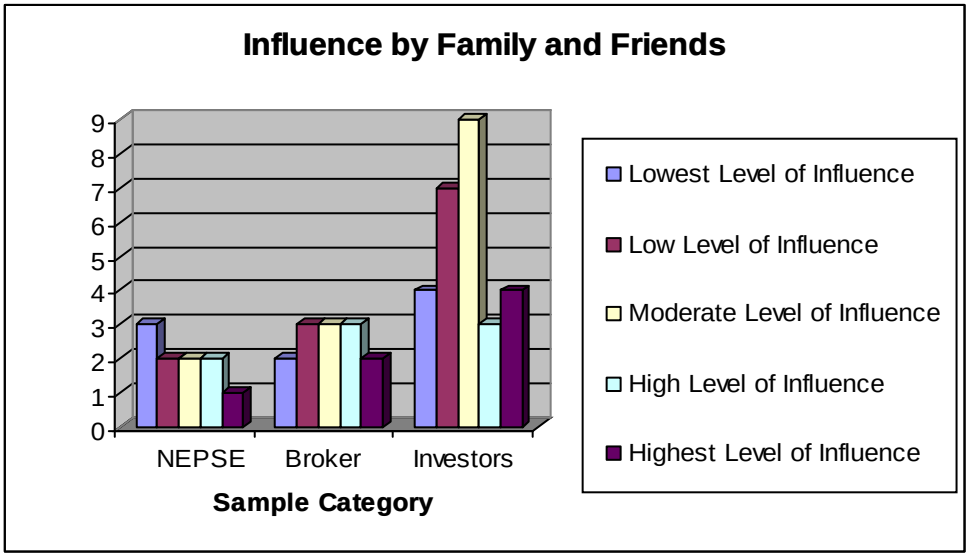
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	3	30	2	15.38	4	14.81	9	18
2	Low Level of Influence	2	20	3	23.08	7	25.93	12	24
3	Moderate Level	2	20	3	23.08	9	33.33	14	28
4	High Level of Influence	2	20	3	23.08	3	11.11	8	16
5	Highest Level of Influence	1	10	2	15.38	4	14.81	7	14
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.a)

14b question regarding the influenced of family and friends on investors behavior showed that, 18% of them said that their behavior was influenced at lowest level by the behavior of other investors, 24% said that their behavior was influenced at low level, 28% of them said it was influenced moderately, 16% of them said their behavior was influenced highly and 14% of them said it was influenced at the highest level.

Fig 4.2.14.b.

Figure showing Analysis of Investors Influence by Family and Friends



From the chart we can said that Investors are not much influence by Family and Friends

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.7851 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

c. Influence by Act of Whim

Table 4.2.14.c.

Table showing Analysis of Investors Influence by Act of Whim

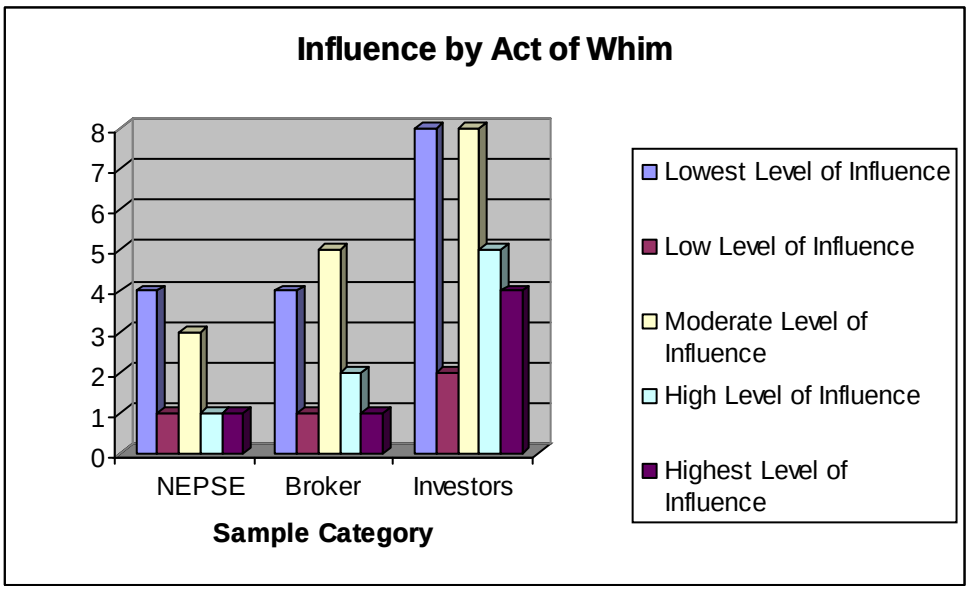
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	4	40	4	30.77	8	14.81	16	32
2	Low Level of Influence	1	10	1	7.692	2	25.93	4	8
3	Moderate Level	3	30	5	38.46	8	33.33	16	32
4	High Level of Influence	1	10	2	15.38	5	11.11	8	16
5	Highest Level of Influence	1	10	1	7.692	4	14.81	6	12
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.c)

14c question regarding the influence of act of whim in investors behavior showed that, 32% of them said that their behavior was influenced at lowest level by the act of whim, 8% said that their behavior was influenced at low level, 32% of them said it was influenced moderately, 16% of them said their behavior was influenced highly and 12% of them said it was influenced at the highest level.

Fig 4.2.14.c.

Figure showing Analysis of Investors Influence by Act of Whim



From the chart we can said that Investors are not too much influence by the act of whim.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.2942 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

d. Influence by Information Provided by Broker

Table 4.2.14.d.

Table showing Analysis of Investors Influence Information Provided by Brokers

S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	3	30	3	23.08	7	29.63	13	26
2	Low Level of Influence	2	20	2	15.38	4	7.407	8	16
3	Moderate Level	3	30	5	38.46	6	29.63	14	28
4	High Level of Influence	1	10	2	15.38	5	18.52	8	16
5	Highest Level of Influence	1	10	1	7.692	5	14.81	7	14

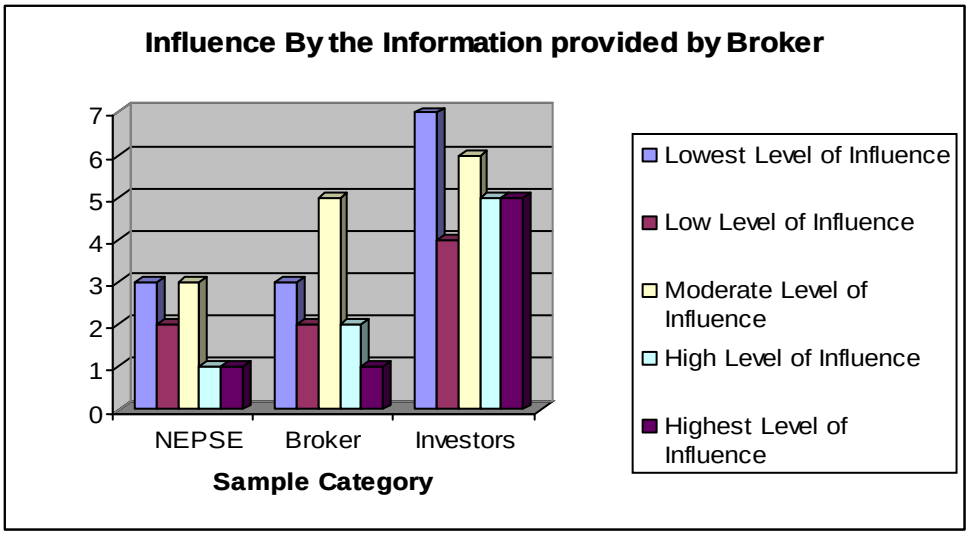
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.d)

14dquestion regarding the influence of information provided by broker to investor showed that, 26% of them said that their behavior was influenced at lowest level by the broker information, 16% said that their behavior was influenced at low level, 28% of them said it was influenced moderately, 16% of them said their behavior was influenced highly and 14% of them said it was influenced at the highest level.

Fig 4.2.14.d.

Figure showing Analysis of Investors Influence by Information Provided by Brokers



From the chart we can said that Investors are not too much influence by the brokers.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.288 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

e. Influence by New Information

Table 4.2.14.e.

Table showing Analysis of Investors Influence by New Information

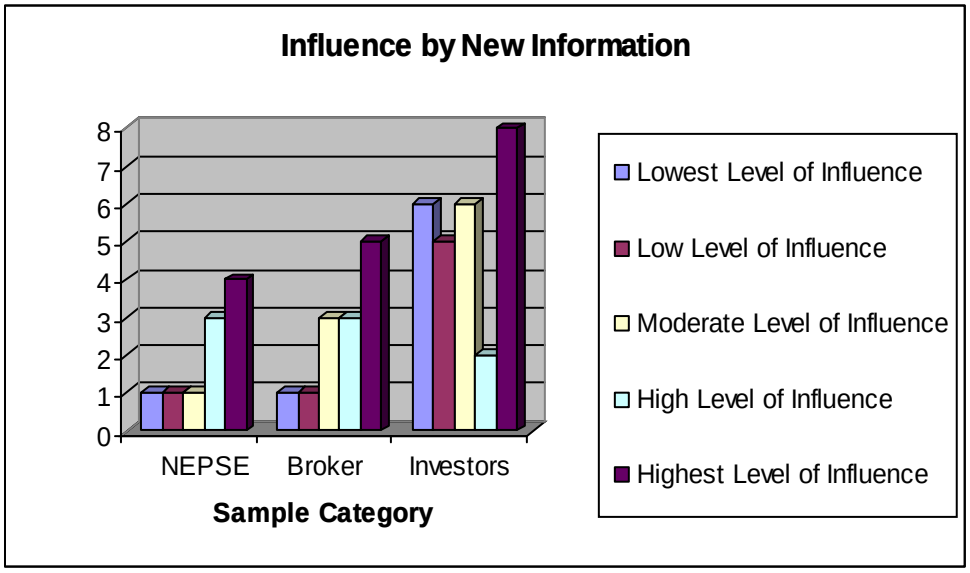
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	1	10	1	7.692	6	18.52	8	16
2	Low Level of Influence	1	10	1	7.692	5	14.81	7	14
3	Moderate Level	1	10	3	23.08	6	18.52	10	20
4	High Level of Influence	3	30	3	23.08	2	11.11	8	16
5	Highest Level of Influence	4	40	5	38.46	8	37.04	17	34
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.e)

14e question regarding influence of investors behavior by new information showed that, 16**%** of them said that their behavior was influenced at lowest level by new information, 14% said that their behavior was influenced at low level, 20% of them said it was influenced moderately, 16% of them said their behavior was influenced highly and 34% of them said it was influenced at the highest level.

Fig 4.2.14.e.

Figure showing Analysis of Investors Influence by New Information



From the chart we can said that most of the investors are highly influence by the new information.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 6.1563 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

f. Influence by Private (Inside) Information

Table 4.2.14.f.

Table showing Analysis of Investors Influence by Private (Inside) Information

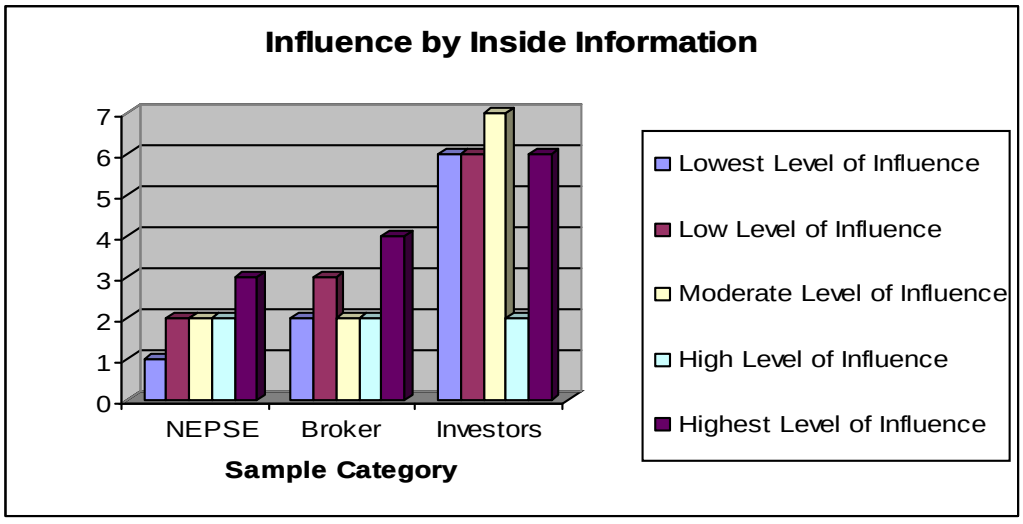
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	1	10	2	15.38	6	22.22	9	18
2	Low Level of Influence	2	20	3	23.08	6	18.52	11	22
3	Moderate Level	2	20	2	15.38	7	22.22	11	22
4	High Level of Influence	2	20	2	15.38	2	7.407	6	12
5	Highest Level of Influence	3	30	4	30.77	6	29.63	13	26
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.f)

14f question regarding influence on behavior of investor by private (inside) information showed that, 18% of them said that their behavior was influenced at lowest level by new information, 22% said that their behavior was influenced at low level, 22% of them said it was influenced moderately, 12% of them said their behavior was influenced highly and 26% of them said it was influenced at the highest level.

Fig 4.2.14.f.

Figure showing Analysis of Investors Influence by Private (Inside) Information



From chart we can said that investors are influence by the inside information.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.6194 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

g. Influence by NEPSE Index

Table 4.2.14g.

Table showing Analysis of Investors Influence by NEPSE Index

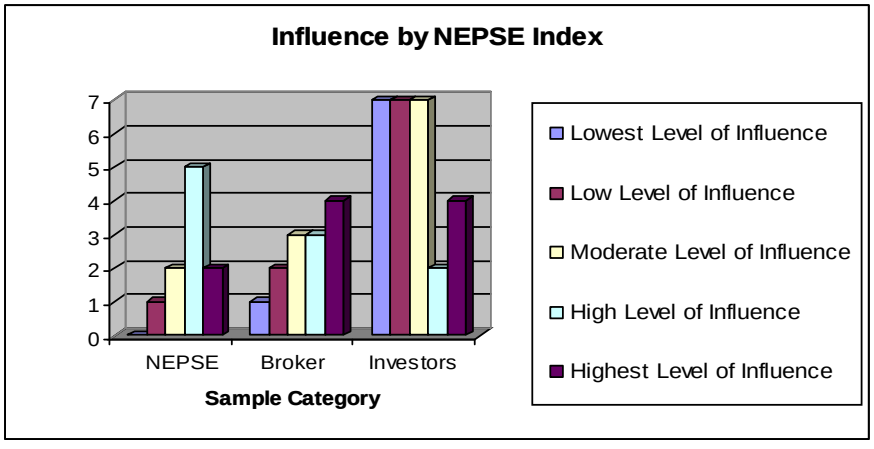
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	0	0	1	7.692	7	22.22	8	16
2	Low Level of Influence	1	10	2	15.38	7	22.22	10	20
3	Moderate Level	2	20	3	23.08	7	25.93	11	22
4	High Level of Influence	5	50	3	23.08	2	7.407	10	20
5	Highest Level of Influence	2	20	4	30.77	4	22.22	11	22
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.g)

14g question regarding influence on behavior of investor by NEPSE Index showed that**,** 16% of them said that their behavior was influenced at lowest level by NEPSE Index, 20% said that their behavior was influenced at low level, 22% of them said it was influenced moderately, 20% of them said their behavior was influenced highly and 22% of them said it was influenced at the highest level

Fig 4.2.14g.

Figure showing Analysis of Investors Influence by NEPSE Index



From the chart we can said that investors are moderately influence by the NEPSE index.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 12.959 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

g. Influence by Profitability of Company

Table 4.2.14.h.

Table showing Analysis of Investors Influence by Profitability of the Company

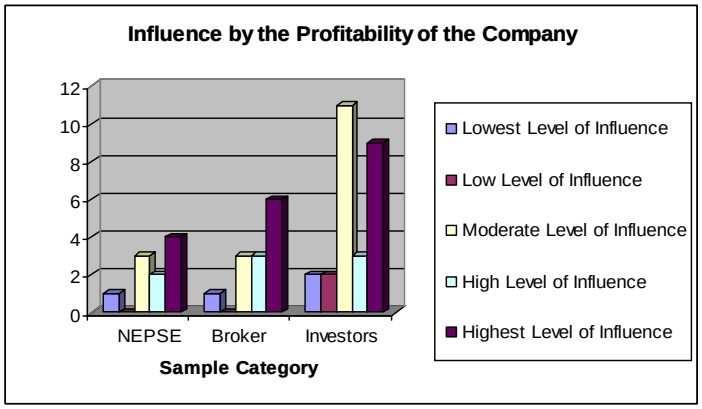
S.N	Level of Influence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Influence	1	10	1	7.692	2	25.93	4	8
2	Low Level of Influence	0	0	0	0	2	25.93	2	4
3	Moderate Level	3	30	3	23.08	11	25.93	17	34
4	High Level of Influence	2	20	3	23.08	3	7.407	8	16
5	Highest Level of Influence	4	40	6	46.15	9	14.81	19	38
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 14.h)

14h question regarding influence of investor behavior by the profitability of the company showed that, 8 % of them said that their behavior was influenced at lowest level by the profitability of the company, 4% said that their behavior was influenced at low level, 34% of them said it was influenced moderately, 16% of them said their behavior was influenced highly and 38% of them said it was influenced at the highest level. so, this indicates that the profitability of the company highly influenced the behavior of individual investor.

Figure 4.2.14.h.

Figure showing Analysis of Investors Influence by Profitability of the Company



From the chart we can said that Investors are highly influence by the Profitability of the company.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 3.9341 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

15. Panic Buying

Table 4.2.15.

Table showing Analysis of Investors Panic Buying of Stocks

S.N	Panic Buying Of Stock	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Sell stock	4	40	4	30.77	8	11.11	16	32
2	Wait Till the Last Moment	2	20	3	23.08	4	11.11	9	18
3	Do Nothing	0	0	1	7.692	1	25.93	2	4
4	Buy Stock in Market	1	10	2	15.38	1	7.407	4	8
5	Analyze the Market and Act	3	30	3	23.08	13	44.44	19	38
		10	100	13	100	27	100	50	100

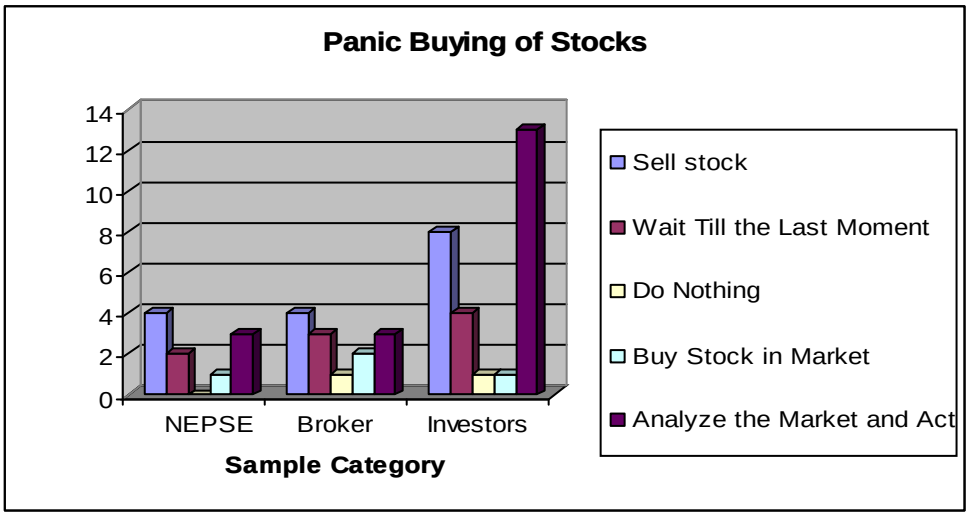
(Source: Field Survey, Questionnaire no: 15)

15th question regarding "what do investors do when their friends were buying stock in the market due to increase in market price" showed that , 32% of them said they wouldsell stock, 18% of them said they wait till the last moment, 4% of them said they do nothing, 8% of them said they buy stock in the market, 38% of them said they analyse the market and act. So, this shows that

the behavior is not influenced by the herd behaviour as interpreted earlier, instead, either the invetsors sell, wait till the last moment or analyse the market

Figure 4.2.15.

Figure showing Analysis of Investors Influence by Investors Panic Buying of Stocks



From the chart we can said that most of the investors analyze the market and act if the stocks price increases.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 4.6843 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

16. Panic Selling of Stock

Table 4.2.16

Table showing Analysis of Investors Influence by Panic Selling of Stock

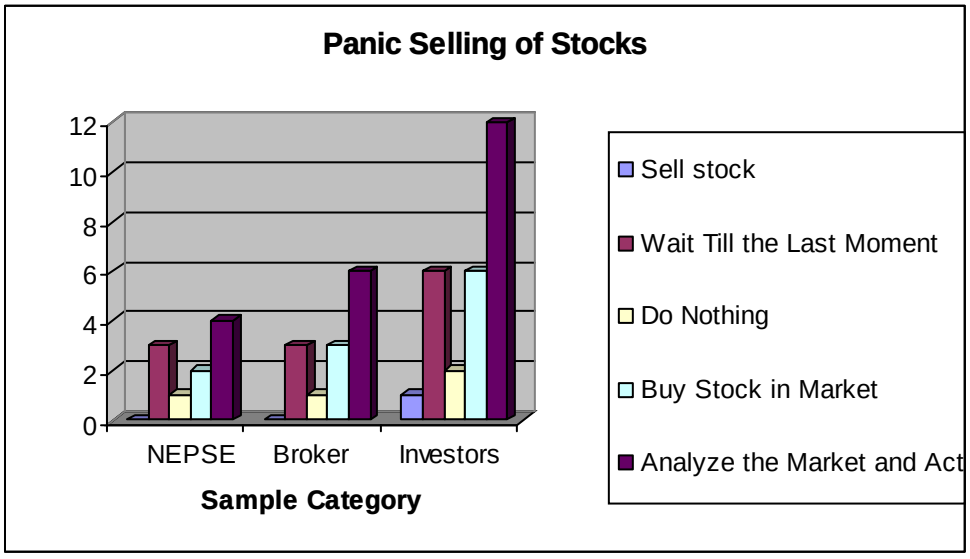
S.N	Panic Selling Of Stock	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Sell stock	0	0	0	0	1	29.63	1	2
2	Wait Till the Last Moment	3	30	3	23.08	6	14.81	12	24
3	Do Nothing	1	10	1	7.692	2	3.704	4	8
4	Buy Stock in Market	2	20	3	23.08	6	3.704	11	22
5	Analyze the Market and Act	4	40	6	46.15	12	48.15	22	44
		10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 16)

16th question asking "what do they do when their friends were selling stock in the market due to decrease in market price",showed that 2% of them said they sell stock as friends do, 24% of them said they wait till the last moment, 8% of them said they do nothing, 22% of them said they buy stock in the market, 44% of them said they analyse the market and act.

Figure 4.2.16

Figure showing Analysis of Investors Influence by Panic Selling of Stock



From the chart we can said that most of the investors analyses the market and act if the price of stocks decreases in the market.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.1823 and

critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

17. Source of Information

Table 4.2.17

Table showing Analysis of Investor's Sources of Information

S.N	Source of Information	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Financial Statement of Company	3	30	4	30.77	8	29.63	15	30
2	Business Newspaper	2	20	2	15.38	3	11.11	7	14
3	Financial Statement of companies and Business Newspaper	2	20	2	15.38	6	22.22	10	20
4	NEPSE Index	1	10	1	7.692	2	7.407	4	8
5	News Channel	0	0	0	0	2	7.407	2	4
6	Information Provided by Broker	0	0	2	15.38	1	3.704	3	6
7	Internal Information	0	0	1	7.692	2	7.407	3	6
8	All Mentioned Above	2	20	1	7.692	3	11.11	6	12
		10	100	13	100	27	100	50	100

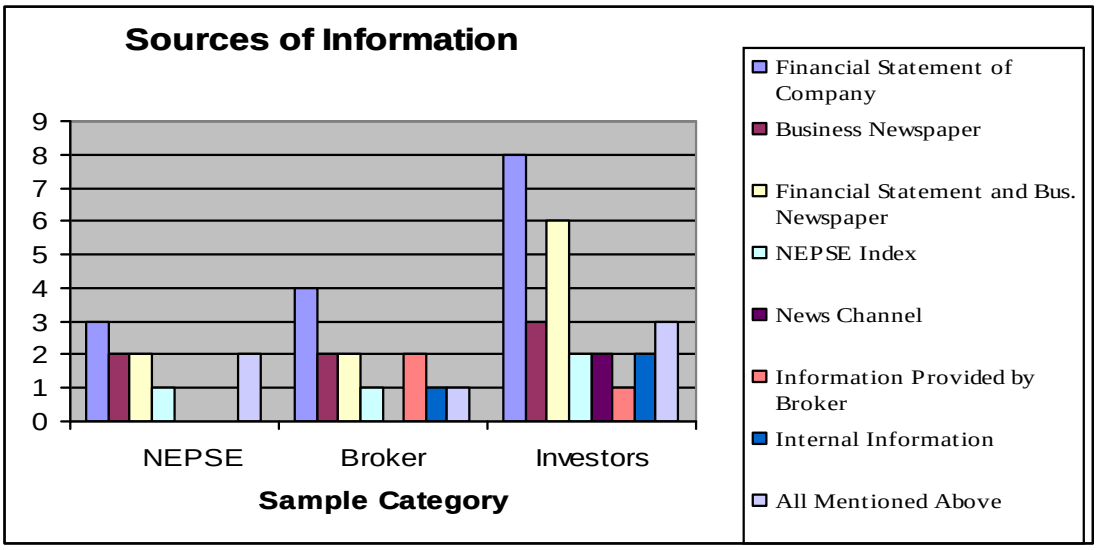
(Source: Field Survey, Questionnaire no: 17)

17th question asking "what was the major source of information for investors?" showed that, 30 of them said they study financial statement of the company, 14% of them said they study

business newspaper, 20% of them said they make study of Financial statement of the company and business newspaper, 8% of them said they make study of NEPSE Index, 4% said they make analysis of information provided by news channel, only 6% said their source of information is information provided by broker, 6% said they get an access of internal information and 12% of them said they make analysis of all the sources of information mentioned in the questionnaire.

Figure 4.2.17

Figure showing Analysis of Investor's Sources of Information



From the chart we can said that most of the investors depends on the Financial statement of the company for the information.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 6.4036 and critical value at 5 % level of significance for d.f., v=14 is 23.685 (Appendix C**)**. Since the

computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

18. Prospect Theory:

In order to test the various factors under the prospect theory, few questions trying to unnderstand the beahvior of invetsors regarding the pain of lose, risk attitude and level of confidence was inquired.They are as follows:

Table 4.2.18

Table showing Analysis of Investor's risk or confidence attitude

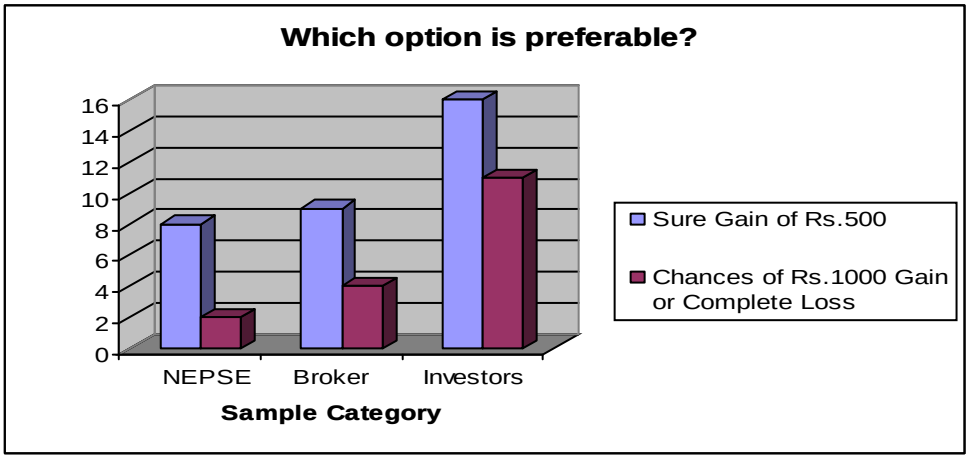
S.N	Which option is preferable?	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Sure Gain of Rs.500	8	80	9	69.23	16	59.26	33	66
2	Chances of Rs.1000 Gain or Complete Loss	2	20	4	30.77	11	40.74	17	34
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 18)

18th question regarding the risk attitude of investors where two situation was given to investors, one in which they could get a sure gain of Rs. 500 and the other in which when the coin was flipped, if it come head they would get Rs. 1000 and if it comes tail, they would get nothing. The results show, 66% of them said they would prefer sure gain and 34% of them said they would thake a chance of getting Rs. 1000 gain of a complete loss

Figure 4.2.18

Figure showing Analysis of Investor's risk or confidence attitude



From this analysis we can said that most of the investors are risk averse than risk seeker.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.4806 and critical value at 5 % level of significance for d.f., v=3 is 7.815 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

19. Risk Attitude

Table 4.2.19

Table showing Analysis of Investor's Level of risk taken

S.N	Level of risk taken	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Risk Averse Investor	0	0	0	0	2	7.407	2	4
2	Low Risk Taking Investor	2	20	2	15.38	2	7.407	6	12
3	Moderate Investor	5	50	4	30.77	12	44.44	21	42
4	Average Risk Taking Investor	2	20	6	46.15	9	33.33	17	34
5	High Risk Taking Investor	1	10	1	7.692	2	7.407	4	8
	Total	10	100	13	100	27	100	50	100

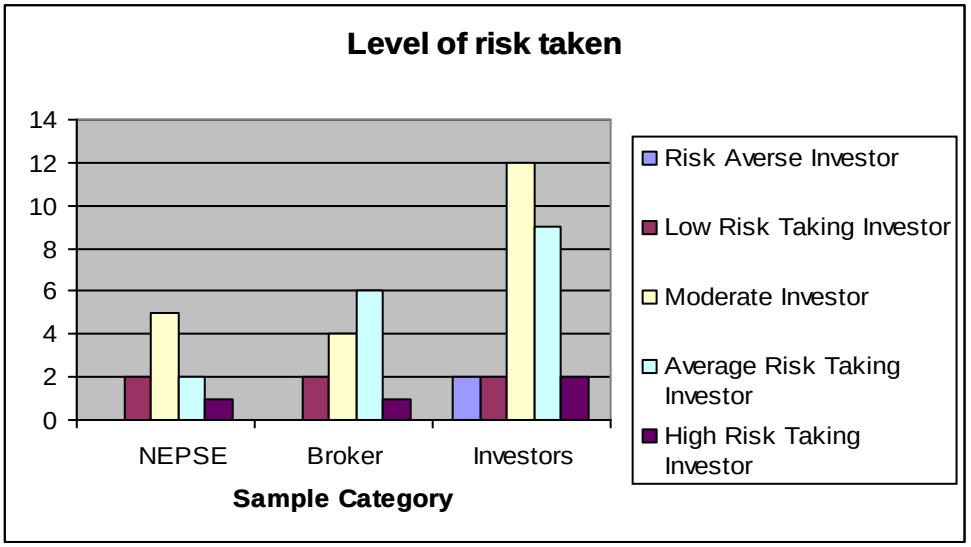
(Source: Field Survey, Questionnaire no: 19)

19th question regarding the risk attitude of investors, showed that 4% of them said they would rate themselves as risk averse investors, 12% of them said that they would rate themselves as low risk taking investors, 42% of them said that they would rate themselves as a moderate investors,

34% of them said that they would rate themselves as average risk taking investors and 8%of them said that they would rate themselves as a very high risk taking investor.

Figure 4.2.19

Figure showing Analysis of Investor's Level of risk taken



From the chart we can said that most of the investors think that they are moderate or average risk taker.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

20. Level of Confidence

Table 4.2.20

Table showing Analysis of Investor's Level of Confidence

S.N	Level of Confidence	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level	1	10	2	15.38	4	14.81	7	14
2	Low Level of Confidence	1	10	2	15.38	4	14.81	7	14

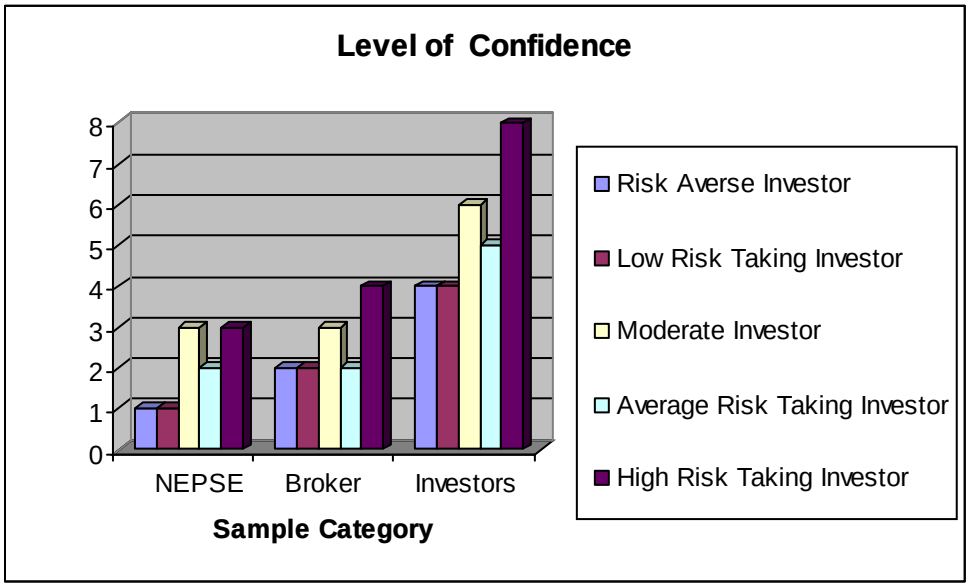
3	Moderate Level	3	30	3	23.08	6	22.22	12	24
4	High Level of Confidence	2	20	2	15.38	5	18.52	9	18
5	Highest Level	3	30	4	30.77	8	29.63	15	30
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 20)

20th question regarding the confidence level of investors showed that, 14% of them said they have lowest level of confidence, 14% of them said they have low level of confidence, 24% of them said they have moderate level of confidence, 18% of them said, they have high level of confidence and 30% of them said that they have highest level of confidence. So, this shows that's average investors are confident enough in Nepal's capital market.

Figure 4.2.20

Figure showing Analysis of Investor's Level of Confidence



From the chart we can said that most of the investors thinks themselves as the confident investors.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 0.5594 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

21. Important of Motivating Factors Investors

Individual investors were inquired which motivating factors directed their behavior and how much importance they give to each factor. Following results were found:

a. Long Term Goals of Life

Table 4.2.21.a

Table showing Motivation of Investor's Long Term Goal of Life

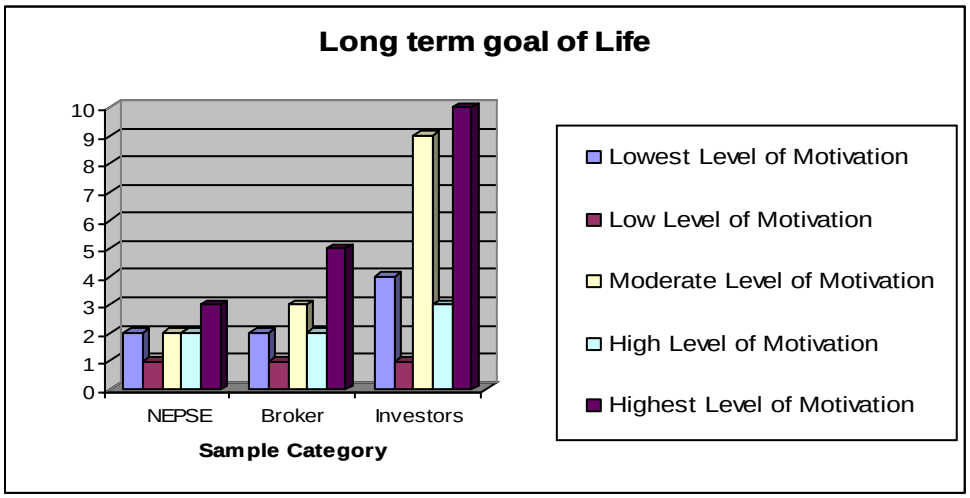
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	2	20	2	15.38	4	14.81	8	16
2	Low Level of Motivation	1	10	1	7.692	1	3.704	3	6
3	Moderate Level	2	20	3	23.08	9	33.33	14	28
4	High Level of Motivation	2	20	2	15.38	3	11.11	7	14
5	Highest Level of Motivation	3	30	5	38.46	10	37.04	18	36
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21a)

21a question inquiring how much was their behavior motivated to invest due to long term goal, showed that 16% of them said that their behavior was motivated at the lowest level, 6% of them said that they were motivated at the low level, 28% of them said they were motivated at the moderate level, 14% of them said that their behavior was motivated at high level and 36% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.a

Figure showing Motivation of Investor's Long Term Goal of Life



From the chart we can said that most of the Investors are highly motivated by the long term goal of life.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.874 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

b. Short Term Capital Gains

Table 4.2.21.b

Table showing Motivation of Investor's Short Term Capital Gain

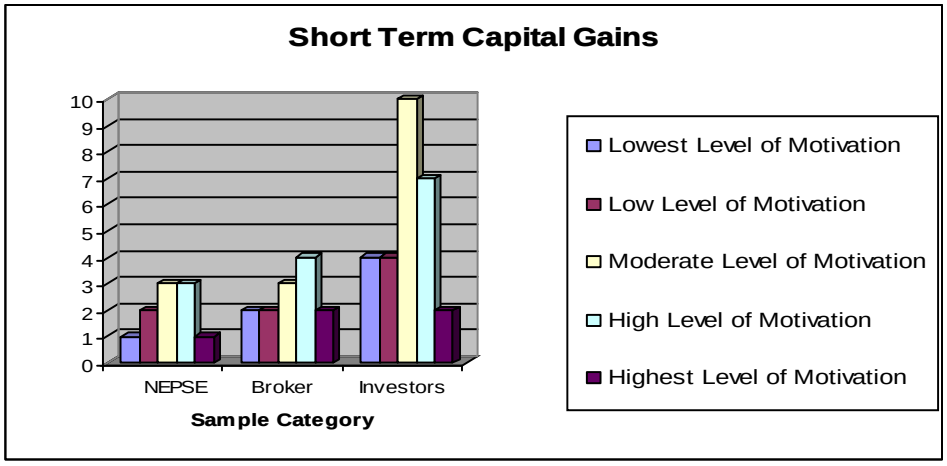
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	2	15.38	4	14.81	7	14
2	Low Level of Motivation	2	20	2	15.38	4	14.81	8	16
3	Moderate Level	3	30	3	23.08	10	37.04	16	32
4	High Level of Motivation	3	30	4	30.77	7	25.93	14	28
5	Highest Level of Motivation	1	10	2	15.38	2	7.407	5	10
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21b)

21b question inquiring "how much was their behavior motivated to invest due to short term goal" showed that, 14% of them said that their behavior was motivated at the lowest level, 16% of them said that they were motivated at the low level, 32% of them said they were motivated at the moderate level, 28% of them said that their behavior was motivated at high level and 10% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.b

Figure showing Motivation of Investor's Short Term Capital Gain



From the chart we can said that most of the investors are averagely motivated by the short term capital gains.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.4715 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

c. Long Term Capital Appreciation

Table 4.2.21.c

Table showing Motivation of Investor's Long Term Capital Appreciation

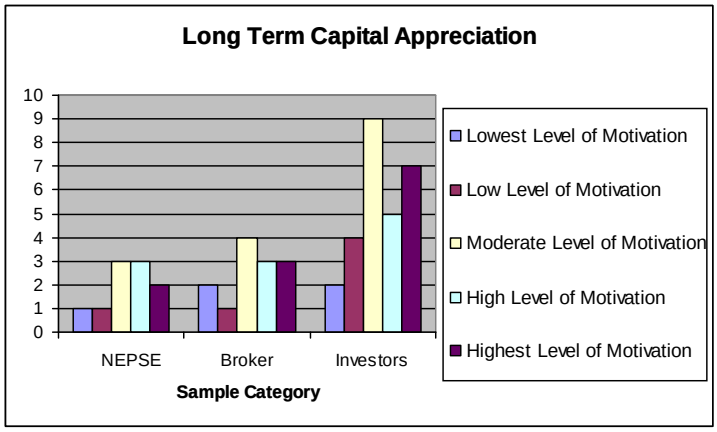
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	2	15.38	2	7.407	5	10
2	Low Level of Motivation	1	10	1	7.692	4	14.81	6	12
3	Moderate Level	3	30	4	30.77	9	33.33	16	32
4	High Level of Motivation	3	30	3	23.08	5	18.52	11	22
5	Highest Level of Motivation	2	20	3	23.08	7	25.93	12	24
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21c)

21c question inquiring "how much was their behavior motivated to invest due to long term capital appreciation", showed that 10% of them said that their behavior was motivated at the lowest level, 12% of them said that they were motivated at the low level, 32% of them said they were motivated at the moderate level, 22% of them said that their behavior was motivated at high level and 24% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.c

Figure showing Motivation of Investor's Long Term Capital Appreciation



From the chart we can said that most of the investors in Nepal has high level of motivation in long term capital appreciation.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.5642 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

d. Dividend Income

Table 4.2.21.d

Table showing Motivation of Investor's in Dividend Income

S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	2	15.38	2	7.407	5	10
2	Low Level of Motivation	2	20	2	15.38	7	25.93	11	22
3	Moderate Level	2	20	2	15.38	3	11.11	7	14
4	High Level of Motivation	2	20	3	23.08	4	14.81	9	18
5	Highest Level of Motivation	3	30	4	30.77	11	40.74	18	36
	Total	10	100	13	100	27	100	50	100

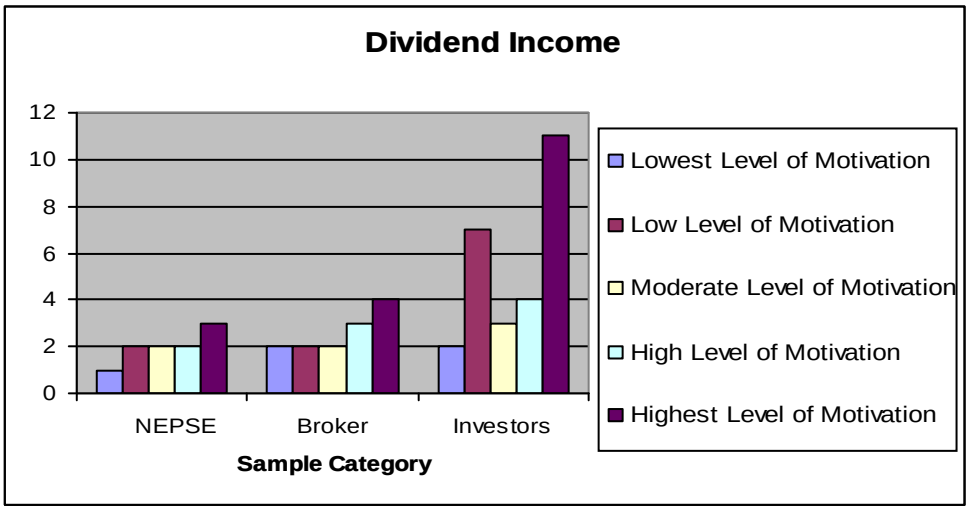
(Source: Field Survey, Questionnaire no: 21d)

21d question inquiring about the behavior of investors motivated to invest due to dividend income, showed that10% of them said that their behavior was motivated at the lowest level, 22% of them said that they were motivated at the low level, 14% of them said they were motivated at

the moderate level, 18% of them said that their behavior was motivated at high level and 36% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.d

Figure showing Motivation of Investor's in Dividend Income



From the chart we can said that most of the investors are highly motivated by the dividend income in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.1882 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

e. Speculation

Table 4.2.21.e

Table showing Motivation of Investor's in Speculation

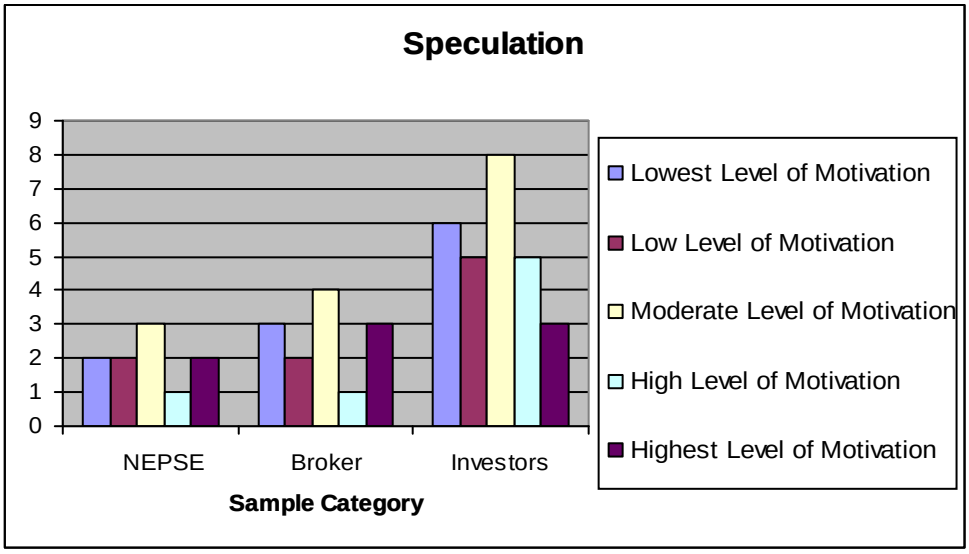
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	2	20	3	23.08	6	22.22	11	22
2	Low Level of Motivation	2	20	2	15.38	5	18.52	9	18
3	Moderate Level	3	30	4	30.77	8	29.63	15	30
4	High Level of Motivation	1	10	1	7.692	5	18.52	7	14
5	Highest Level of Motivation	2	20	3	23.08	3	11.11	8	16
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21e)

21e question regarding "how much was the investors behavior motivated to invest due to speculation" showed that, 22% of them said that their behavior was motivated at the lowest level, 18% of them said that they were motivated at the low level, 30% of them said they were motivated at the moderate level, 14% of them said that their behavior was motivated at high level and 16% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.e

Figure showing Motivation of Investor's in Speculation



From the chart we can said that most of the investors are highly motivated by the speculation in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.8928 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

f. Marginal Lending

Table 4.2.21.f

Table showing Motivation of Investor's in Marginal Lending

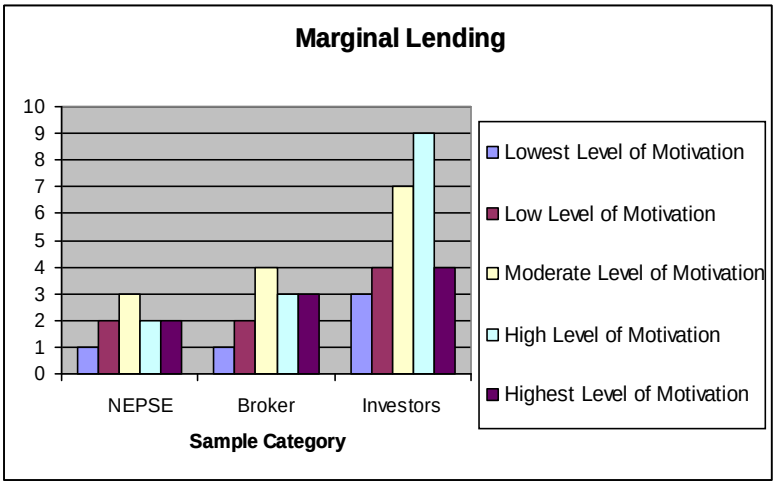
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	1	7.692	3	11.11	5	10
2	Low Level of Motivation	2	20	2	15.38	4	14.81	8	16
3	Moderate Level	3	30	4	30.77	7	25.93	14	28
4	High Level of Motivation	2	20	3	23.08	9	33.33	14	28
5	Highest Level of Motivation	2	20	3	23.08	4	14.81	9	18
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21f)

21f question regarding "how much was their behavior motivated by marginal lending "showed that 10% of them said that their behavior was motivated at the lowest level, 16% of them said that they were motivated at the low level, 28% of them said they were motivated at the moderate level, 28% of them said that their behavior was motivated at high level and 18% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.f

Figure showing Motivation of Investor's in Marginal Lending



From the chart we can said that most of the investors are moderately motivated by the marginal lending in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.2967 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

g. Risk Cover

Table 4.2.21.g

Table showing Motivation of Investor's in Risk Cover

S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	2	20	2	15.38	6	22.22	10	20
2	Low Level of Motivation	1	10	2	15.38	4	14.81	7	14
3	Moderate Level	5	50	5	38.46	12	44.44	22	44
4	High Level of Motivation	1	10	2	15.38	3	11.11	6	12
5	Highest Level of Motivation	1	10	2	15.38	2	7.407	5	10
	Total	10	100	13	100	27	100	50	100

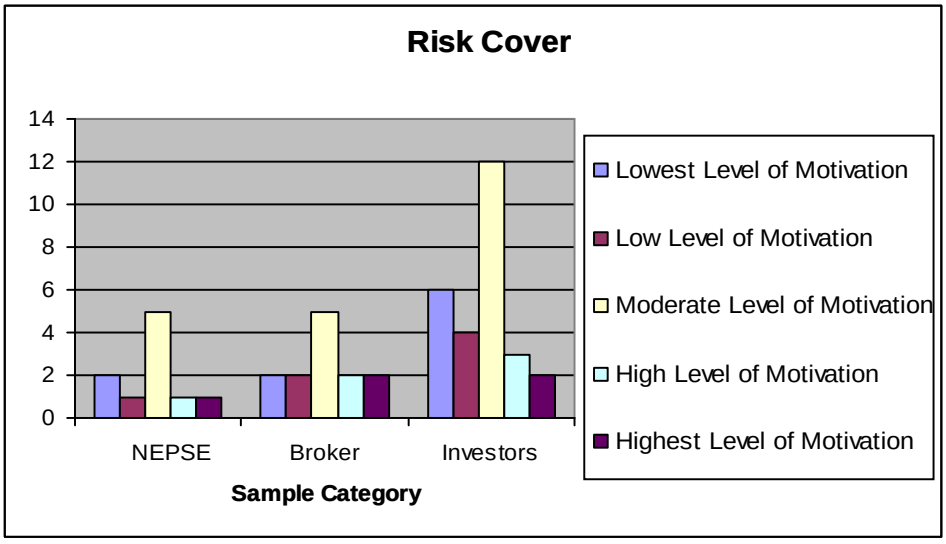
(Source: Field Survey, Questionnaire no: 21.g)

21g question regarding "how much was their behavior motivated by risk covered by the investment" showed that 20% of them said that their behavior was motivated at the lowest level, 14% of them said that they were motivated at the low level, 44% of them said they were

motivated at the moderate level, 12% of them said that their behavior was motivated at high level and 10% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.g

Figure showing Motivation of Investor's in Risk Cover



From the chart we can said that most of the investors are moderately motivated by the risk cover in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.2573 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

h. Social Status

Table 4.2.21.h

Table showing Motivation of Investor's in Social Status

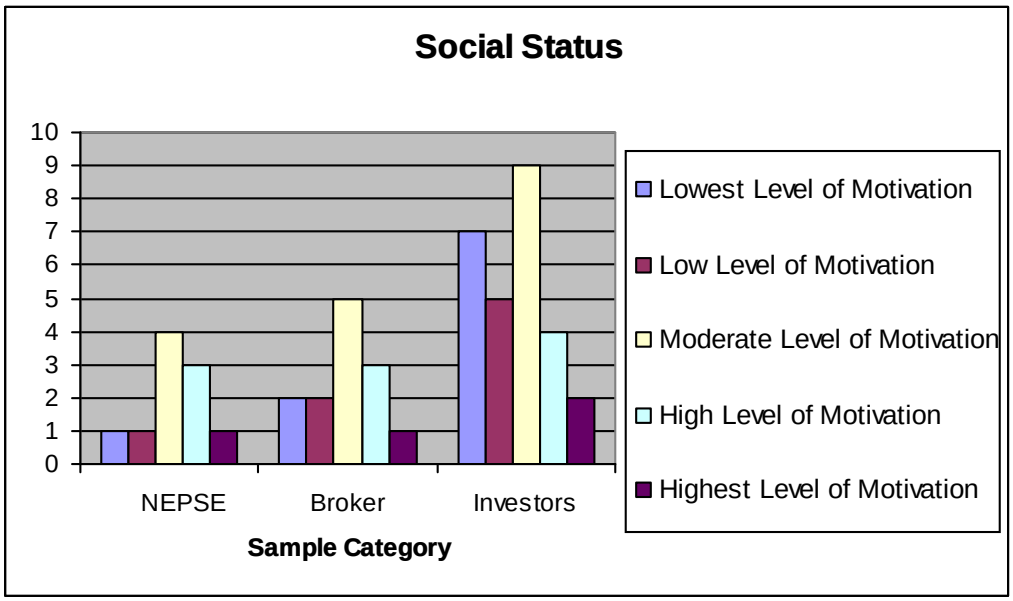
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	2	15.38	7	25.93	10	20
2	Low Level of Motivation	1	10	2	15.38	5	18.52	8	16
3	Moderate Level	4	40	5	38.46	9	33.33	18	36
4	High Level of Motivation	3	30	3	23.08	4	14.81	10	20
5	Highest Level of Motivation	1	10	1	7.692	2	7.407	4	8
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21h)

21h question regarding "how much was the respondents' behavior motivated by social status" showed that 20% of them said that their behavior was motivated at the lowest level, 16% of them said that they were motivated at the low level, 36% of them said they were motivated at the moderate level, 20% of them said that their behavior was motivated at high level and 8% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.h

Figure showing Motivation of Investor's in Social Status



From the chart we can said that most of the investors are moderately motivated by the social status in Investment

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 2.5552 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

i. Government Rules and Regulations

Table 4.2.21.i

Table showing Motivation of Investor's in Government Rules and Regulations

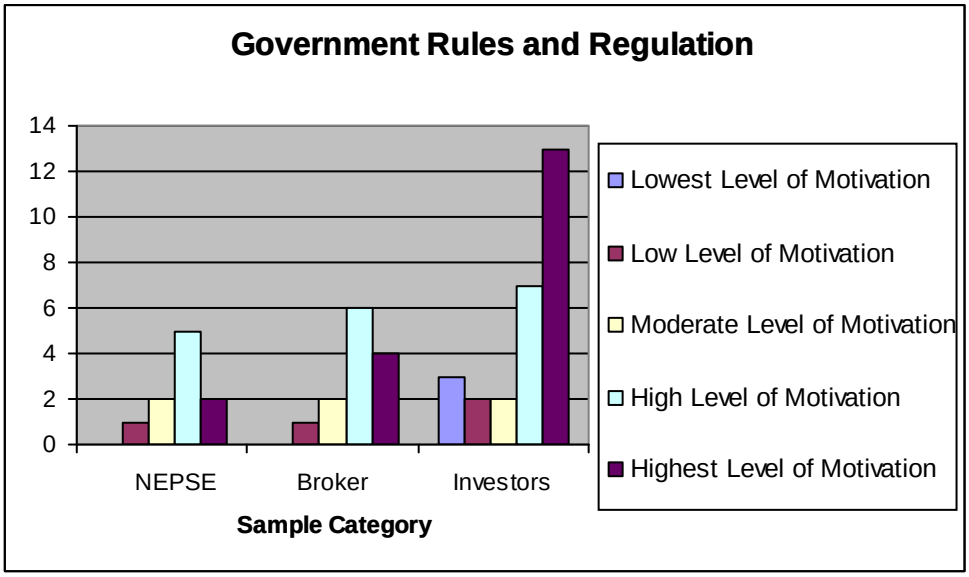
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	0	0	0	0	3	11.11	3	6
2	Low Level of Motivation	1	10	1	7.692	2	7.407	4	8
3	Moderate Level	2	20	2	15.38	2	7.407	6	12
4	High Level of Motivation	5	50	6	46.15	7	25.93	18	36
5	Highest Level of Motivation	2	20	4	30.77	13	48.15	19	38
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21i)

21i question regarding "how much was the respondents' behavior motivated by government rules and regulations" showed that 6% of them said that their behavior was motivated at the lowest level, 8% of them said that they were motivated at the low level, 12% of them said they were motivated at the moderate level, 36% of them said that their behavior was motivated at high level and 38% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.i

Figure showing Motivation of Investor's in Government Rules and Regulations



From the chart we can said that most of the investors are highly motivated by the Government rules and regulation in Investment.

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 7.1951 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

j. Marketability of the Stock (Easy Buy Sell)

Table 4.2.21.j

Table showing Motivation of Investor's in Marketability of the Stock (Easy Buy Sell)

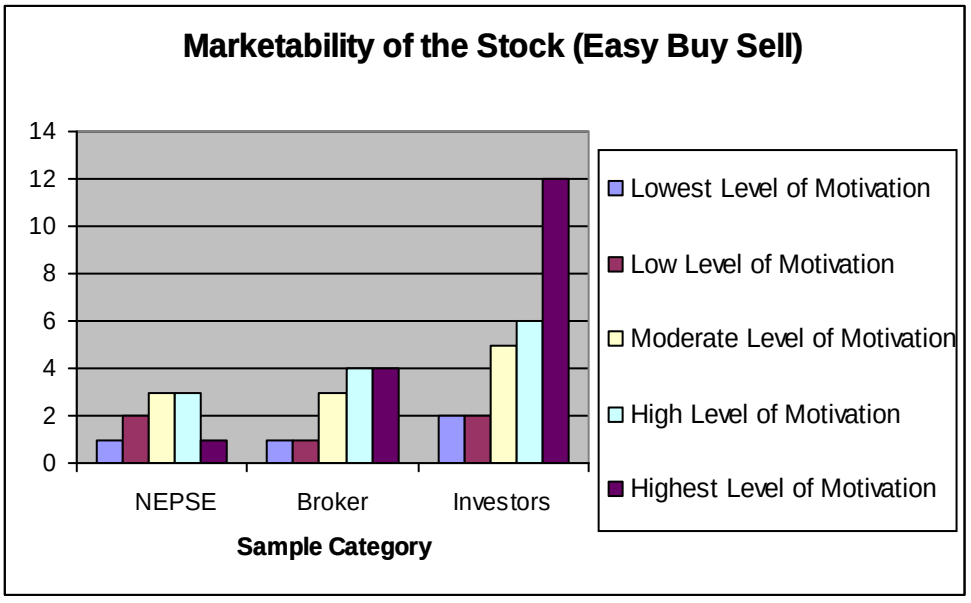
S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	1	7.692	2	7.407	4	8
2	Low Level of Motivation	2	20	1	7.692	2	7.407	5	10
3	Moderate Level	3	30	3	23.08	5	18.52	11	22
4	High Level of Motivation	3	30	4	30.77	6	22.22	13	26
5	Highest Level of Motivation	1	10	4	30.77	12	44.44	17	34
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21j)

21j question regarding "how much was the respondents' behavior motivated by marketability of the stock (easy buy sell)?" showed that, 8% of them said that their behavior was motivated at the lowest level, 10% of them said that they were motivated at the low level, 22% of them said they were motivated at the moderate level, 26% of them said that their behavior was motivated at high level and 34% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.j

Figure showing Motivation of Investor's in Marketability of the Stock (Easy Buy Sell)



From the chart we can said that most of the investors are highly motivated by the Marketability of the stock in Investment

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 10.122 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

k. Easy Access to Capital Market

Table 4.2.21.k

Table showing Motivation of Investor's in Easy Access to Capital Market

S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	1	7.692	4	14.81	6	12
2	Low Level of Motivation	1	10	1	7.692	2	7.407	4	8
3	Moderate Level	4	40	4	30.77	10	37.04	18	36
4	High Level of Motivation	2	20	3	23.08	7	25.93	12	24
5	Highest Level of Motivation	2	20	4	30.77	4	14.81	10	20
	Total	10	100	13	100	27	100	50	100

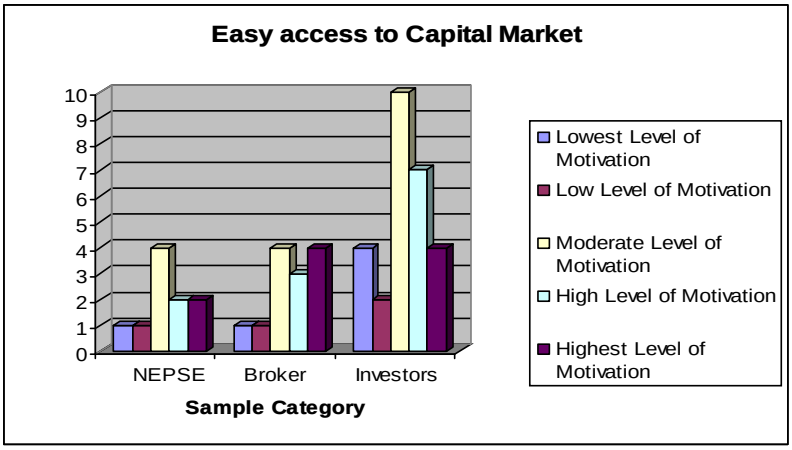
(Source: Field Survey, Questionnaire no: 21k)

21k question regarding "how much was their behavior motivated by easy access to capital market "showed that 12% of them said that their behavior was motivated at the lowest level, 8%

of them said that they were motivated at the low level, 36% of them said they were motivated at the moderate level, 24% of them said that their behavior was motivated at high level and 20% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.k

Figure showing Motivation of Investor's in Easy Access to Capital Market



From the chart we can said that most of the investors are moderately motivated by the Easy access to capital market in Investment

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 0.5594 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

l. Central Depositary System (CDS)

Table 4.2.21.l

Table showing Motivation of Investor's in Central Depositary System (CDS)

S.N	Level of Motivation	NEPSE		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos	%	Nos	%
1	Lowest Level of Motivation	1	10	1	7.692	4	14.81	6	12

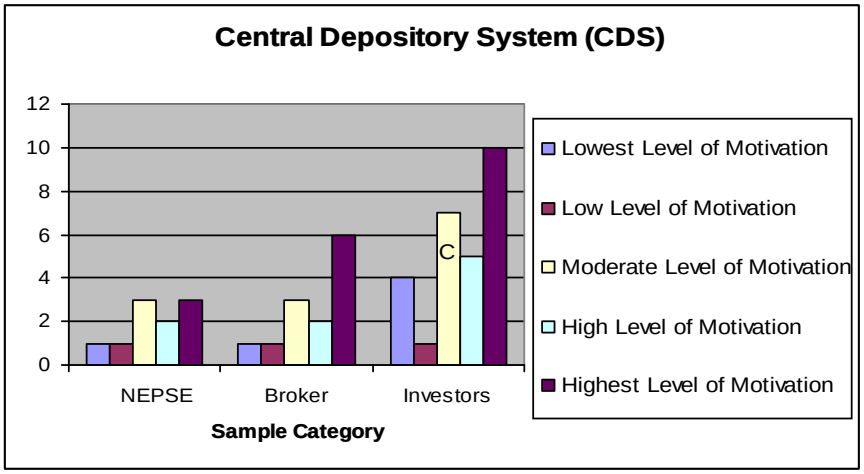
2	Low Level of Motivation	1	10	1	7.692	1	3.704	3	6
3	Moderate Level	3	30	3	23.08	7	25.93	13	26
4	High Level of Motivation	2	20	2	15.38	5	18.52	9	18
5	Highest Level of Motivation	3	30	6	46.15	10	37.04	19	38
	Total	10	100	13	100	27	100	50	100

(Source: Field Survey, Questionnaire no: 21l)

21l question regarding "how much was their behavior motivated by easy access to capital market "showed that 12% of them said that their behavior was motivated at the lowest level, 6% of them said that they were motivated at the low level, 26% of them said they were motivated at the moderate level, 18% of them said that their behavior was motivated at high level and 38% of them said that their behavior was motivated at the highest level.

Figure 4.2.21.l

Figure showing Motivation of Investor's in Central Depositary System (CDS)



From the chart we can said that most of the investors are highly motivated by the Central Depository System in Investment

Hypothesis Testing

Whether there is significant difference between opinions of different responding groups, hypothesis has been tested using chi-square test. The computed chi-square value is 1.5611 and critical value at 5 % level of significance for d.f., v=8 is 15.507 (Appendix C**)**. Since the computed value of chi-square is less than the critical value, it can be stated that there is no significant between the responses of different group.

22. Suggestion from respondents in Nepal's Capital market

The respondents were also requested to suggest the appropriate measures, which will help to build the healthy security market. The suggestion made by them is as under:

i. Nepalese security market must bring the various alternatives for investment. For this they have to innovate such type of securities which are preferred by the investor. It may be hybrid types of instruments, asset backed instruments, forward, options, swaps etc.

ii. Disclosure practice of their financial matter except banking is found in a rare manner. This type of non-transparent and lack of openness in transaction will make the investors suspicious to invest in that security. So, Disclosure practice should be immediately seen in the Nepalese security environment.

iii. Brokers there duties and responsibility is not just merely related to make transaction of securities but they must provide proper advice to the investors.

iv. NEPSE should be well acquainted with the trading principles of the other developed nation. This open out cry system is quite conservative and should be replaced with other new system so that the investors also feel easy on knowing the trading mechanism.

v. The trading system should be computer aided technologies for analyzing the securities. There should also be financial consultancy agencies to provide financial assistance to the existing as well as prospective investors when the feel it necessary.

vi. The existing rules and regulation of government are insufficient for protecting investor's investment in security market. Hence, the government should draft new rules and regulations to make the trading scientific and transparent.

vii. To overcome the problem of investors who are outside of valley, either they should be branch of security exchange center or there should be e-trading mechanism.

4.3 Major Findings Of the study

This study tries to give emphasis to different components of the investors and financial instrument so that we can trace out the vital things, which will ultimately help the investors to develop the financial instruments market of Nepal. On this ground this study tries to find many findings, but he major one as per the objectives of the study is as follows:

The level of investor's awareness in the securities market was found low. Majority of the respondents replied that the investors were not aware regarding investment in security market (Table 4.2.8)

The market capitalization of different financial instrument shows that common stock has the coverage of trading in the market. In the common stock also we can find the common stock of financial sector is high and most probably this trend will be continuing for additional couple of years.

Apart from these major findings we have also various other findings on the analysis of primary and secondary data.

i. The majority of investors are between the age group of 31-50 (Table 4.2.1).

ii. In Nepal male are actively involved in investigation than Female (Table 4.2.2).

iii. Among the various investors most of them are graduates. We can also said that literacy investors range widely in Nepal (Table 4.2.3).

iv. It is found that most of the investors are involved in Business and Services except investing (Table 4.2.4).

v. The majority of the respondents stated that most of the their monthly family income is below Rs.50,000 (Table 4.2.5).

vi. The majority of respondent are married. From this we can state that married are actively involved in investigation than female (Table 4.2.6).

vii. Among the various sector most of the investor preferred Banking sector. After the banking they gave the priority to the finance company. This ultimately proves that Nepalese investors are interested to invest in financial sector also(Table 4.2.7)

viii. It was found that the most of the Nepalese investors buy the securities from both markets. We find the investors go for the primary as well as secondary market, but majority of responses proves that they go for both market to purchase the security (Table 4.2.8)

ix. The majority of respondents stated that they spend less than 3 hours for the investment decision. We find that some investors think more than 30 hours also (Table 4.2.9).

x. It was found that from the respondents' that they are not limited only on the portfolio of stocks. Most of them made investment in more than 15 stocks (Table 4.2.10).

xi. It was found that the most of the investors invests their 10-20% income for the investment. (Table 4.2.11).

xii. The majority of respondents stated that they analysis before making an investment decisions (Table 4.2.12).

xiii. The majority of respondents stated that they think the Fundamental Analysis is highest importance to them (Table 4.2.13a).

xiv. It was found from the responses made from the respondent that the most of the Nepalese investor made the investment decision on the basis of Technical analysis (Table 4.2.13b)

xv. If the respondents are asked for the analysis of both (Fundamental and Technical) most of them responses that they give average priority for both (Table 4.2.13c).

xvi. It is found that most of the investors are not so much influence by the information given by brokers (Table 4.2.13d).

xvii. It is found that most of the investors do not give so importance to the information given by friends (Table 4.2.13e).

xviii. It is found that Investors does not give more importance to the Random Analysis (Table 4.2.13f).

xix. From the herd analysis we can said that the investors are influence by the other behaviors in investment (Table 4.2.14a).

xx. From the herd analysis we can said that Investors are not much influence by Family and Friends in investment decisions (Table 4.2.14b).

xxi. From the herd analysis we can said that Investors are not too much influence by the act of whim (Table 4.2.14c).

xxii. From the herd analysis we can said that Investors are not too much influence by the brokers (Table 4.2.14d).

xxiii. From the herd analysis we can said that most of the investors are highly influence by the new information. (Table 4.2.14e).

xxiv. From the herd analysis we can said that most of the investors are influence by the inside information (Table 4.2.14f).

xxv. From the herd analysis we can said that investors are moderately influence by the NEPSE index (Table 4.2.14g).

xxvi. From the herd analysis we can said that Investors are highly influence by the Profitability of the company (Table 4.2.14h).

xxvii. If the investors are asked "What do investors do when their friends were buying stock in the market due to increase in market price?" most of the investors said that they will analyze the market and act if the stocks price increases (Table 4.2.15).

xxviii. If the investors are asked "What do they do when their friends were selling stock in the market due to decrease in market price?" most of the investors said that they will analyses the market and act if the stocks price decreases (Table 4.2.16).

xxix. The majority of respondents stated that most of the investors depends on the Financial statement of the company for the information (Table 4.2.17).

xxx. From the analysis it is stated that most of the investors are risk averse than risk seeker (Table 4.2.18).

xxxi. From the analysis we can said that most of the investors think that they are moderate or average risk taker (Table 4.2.19).

xxxii. From the analysis we can said that most of the investors thinks themselves as the confident investors (Table 4.2.20).

xxxiii. The majority of respondents stated that most of them are highly motivated by the long term goal of life (Table 4.2.21a).

xxxiv. The majority of respondents stated that most of the them are averagely motivated by the short term capital gains (Table 4.2.21b).

xxxv. The majority of respondents stated that most of the investors in Nepal have high level of motivation in long term capital appreciation (Table 4.2.21c).

xxxvi. The majority of respondents stated that most of the investors are highly motivated by the dividend income in Investment (Table 4.2.21d).

xxxvii. The majority of respondents stated that most of the investors are highly motivated by the speculation in Investment (Table 4.2.21e).

xxxviii. The majority of respondents stated that most of the investors are moderately motivated by the marginal lending in Investment. (Table 4.2.21f).

xxxix. The majority of respondents stated that most of the investors are moderately motivated by the risk cover in Investment (Table 4.2.21g).

xl. The majority of respondents stated that most of the investors are moderately motivated by the social status in Investment (Table 4.2.21h).

xli. The majority of respondents stated that most of the investors are highly motivated by the Government rules and regulation in Investment (Table 4.2.21i).

xlii. The majority of respondents stated that most of the investors are highly motivated by the Marketability of the stock in Investment (Table 4.2.21j).

xliii. The majority of respondents stated that most of the investors are moderately motivated by the Easy access to capital market in Investment (Table 4.2.21k).

xliv. The majority of respondents stated that most of the investors are highly motivated by the Central Depository System in Investment (Table 4.2.21l).

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATIONS

This chapter presents the overall summery of the study and conclusions drawn from the analysis of the study. This also includes recommendations to various related authorities.

5.1 Summary

This study was conducted to analyze various behavioral aspects of investor's behavior relating to theory of behavioral finance, especially focusing on herd behavior, prospect theory and motivation theory that influences the behavioral aspects of investors. Economic development is essential for the development of the country. For this, it is required to transform saving into actual investment. Economic development is supported by the financial infrastructure of the country. The financial institutions transfer funds from surplus spending unit to deficit units. The major problem in almost all undeveloped countries and Nepal as no expectation that of capital formation and proper utilization.

The study is mainly based on the primary data. For collecting the primary data, the schedule of questionnaires (See Annex-B) were developed and provided to the investors and other concerned bodies. And then the responses from the respondents were tabulated, figured and analyzed. A set of questionnaire relating to the topic of the research was distributed to 67 respondents out of which 50 of them responded to the questionnaire. Besides that secondary sources and other published sources have also been used to fulfill the objective of the research. The study used the descriptive approach also based on both the technical and logical aspects.

The investment activities being major part of the country which is needed to concrete investment policy in order to have profitable and sustainable portfolio of the risk and risk free assets in the total components of the assets of the country. Implementation of the policy helps to create and maintain a portfolio as mentioned in the policy. After creation of portfolio, the regular monitoring and review of its performance is required for the steady growth and to minimize the risk. Performance revision and performance evaluation can be reviewed by establishing the relation between the varioue related variables, for which financial ratios are computed. Hence In

this thesis paper, researcher has first analysed the investment policy and then evaluated the investment portfolio. Investment policy was evaluated on the basis of appraisal score. Its analysis was carried out by deep study of contents of policy related documents. It is found that policy of the individual in the investment in the different stocks. Investment policy for investment in securities was poor in the initial year of the study.

Portfolio is the holding of the collection of investment. For some individuals and institutions, it is the entire holdings consisting of both assets and liabilities. An investment held as a part of the portfolio is less risky than the same investment held individually. So, every individuals and institution should manage the portfolio by which the individuals and institution get maximum return. The concept of the portfolio comes from "Not putting all the eggs in one basket." Portfolio theory evaluates the reduction of non-systematic or diversifiable risks through the selection of securities or other instruments into the composite holding or efficient portfolio. This efficiency means that a portfolio would offer lower risk or more stable return for the targeted return level. Instrument that have independent returns lower non- systematic risk. Also, instrument that are inversely related on the return basis reduce the diversifiable risks. The basic theory assumes that the returns are independent. Investors expectations are homogeneous, and that the normalized probability distributed are stable.

Respondent's response is systematically presented in the table form as according to the questionnaire. The tabulated questionnaire responses is tabulated and then analyzed with thoroughly. To make clear from the figure, the tabulated data is presented in bar diagram or in the pie-chart. After the data tabulation and presentation hypothesis testing was conducted. In this regard Chi-Square was used. Chi-Square test at 95 % level of confidence has been used to test whether there is significant difference between the opinions of the different responding groups or not.

5.2 Conclusions

This study identifies various behavioral factors of investors in Nepal's capital market with reference to the theories of behavioral finance. It also shows the in-depth relationship between the figured out variables.

It shows that the professional individual investors in Nepal are generally mid aged and there is an almost 100% participant of male in the stock market. Most of them were graduates and students,

business man and service holders by profession. It shows that majority of them have monthly family income of Rs.50,000 and below and most of them are married.

It shows that the professional investors in Nepal invest by making portfolio of investments and they contribute major amount of their time making fundamental analysis and thinking about the investments and the study of the market scenario. The report shows that the investors are not influenced by the influence o f other investors behavior, act of whim, suggestion of family and friends, information provided by broker, NEPSE index, private information where as they are influenced by public information and the profitability of the company.

It also shows that majority of the investors in Nepal are average risk seeking investors but their level of confidence is moderate to high. The report shows that investors are also motivated by various factors like long term goals, short term capital gains, long term capital appreciation, dividend income, marginal lending, government rules and regulations, marketability if the stock, easy access to capital market and CDS system to invest in capital market where as they are not motivated by the various factors like speculation, risk cover and social status.

Hence, the report shows the various behavioral aspects of individual investor in capital market and relationships between these factors. Contrary to what has been heard and seen, the report shows that the there are also professional investors in capital market who knows what they are doing and have above average knowledge compared to passive investors. These investors are not easily guided by the herd.

5.3 Recommendations

On the basis of findings and conclusions as well as investors responses, the following recommendations are made to different related sectors:

- There must be introduction of CDS system in Nepal's capital market as soon as possible because most of the investors say that around 80% of their problems will be solved when there is introduction of CDS system. In addition to this, all the manual and long time taking procedures will be digital and this will increase the overall efficiency of the capital market and the investors.

- There must also be supportive government rules and regulations to encourage the investors. During the survey it was found that investors were very much de-motivated by the unsupportive government regulations.

- The investors should enter the market only after study and serious analysis of the market. Even some investors recommend that the new investors and some existing investors should make at least five years of previous study and then only enter the market.
- The broker should act as an important and responsible sector for the development of the capital market and should strictly avoid involving themselves into stock markets disorders. As well as, the concerned should take strict action to those responsible for creation of stock market disorders. Some investors are very annoyed towards the current brokers in capital market.
- The stock market lacks the existence of sophisticated investors. So, it is recommended to the regulatory bodies carry out programs using various media to inform and attract potential investors to invest in stock.

There is no reach for investors in the stock market outside the valley, so, this should also be eased. In addition to this those investors staying outside the valley could not complain their grievances to the concerned authorities so; offices or certain centers easing these investors should also be established

ABBREVIATIONS

BOD	Board of Director
CDS	Central Depository System
CIT	Citizen Investment Trust
CT	Column Total
Df	Degree of Freedom

E	Expected Frequencies
ESAF	Enhanced Structural Adjustment Facilities
Ltd	Limited
NCM	National Calculation Method
NEPSE	Nepal Stock Exchange
NIDC	Nepal Industrial Development Corporation
Nos	Numbers
OTC	Over the Counter market
Pvt.	Private
Rs.	Rupees
SEBON	Security Board of Nepal
T.U.	Tribhuvan University
V	Value

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Appendix A

Samples were taken from active investors from various brokerage offices. They are:

Name of Brokerage Firm	Code Number	Address	Number of Broker
Kumari Securities Pvt. Ltd.	1	Dillibazar, Kathmandu.	1
Pragyan Securities Pvt. Ltd.	10	Kamladi, Kathmandu	1
Malla & Malla Stock Broking Company Pvt. Ltd.	11	Dillibazar, Kathmandu	2
Primo Securities Pvt. Ltd.	16	Putalisadak, Kathmandu	1
Sagarmatha Securities Pvt. Ltd.	18	Putalisadak, Kathmandu	1
Trishul Securities And	29	Putalisadak, Kathmandu	1

Investment Ltd.			
Sweta Securities Pvt. Ltd.	25	Putalisadak, Kathmandu	2
J.F. Securities Company Pvt. Limited	7	Putalisadak, Kathmandu	2
Midas Stock Broking Company Pvt. Ltd.	21	Kamaladi chowk, Kathmandu	1
Agrawal Securities Pvt. Ltd.	6	Putalisadak, Kathmandu	1
Total no. of Broker	11		**13**
NEPSE (Staff Member)		Singhadurbar, Kathmandu	**10**
No. of Individual Investors.		Kathmandu	**27**
Total			**50**

Appendices B

Questionnaire

Instruments in Nepalese Capital Market". In this thesis as a part of data collection exercise, I solicit your kind cooperation and honest responses on a few identified aspects through a questionnaire. I would also like to assure you that your responses will be kept strictly confidential and will be used for the thesis purpose only

Personal Information

1. Age

(a) Below 30 [ ] (b) 31-40 [ ] (c) 41-50 [ ] (d) 51 & above [ ]

2. Gender

(a) Male [ ] (b) Female [ ]

3. Educational qualification

(a) High School [ ] (b) Graduate [ ] (c) Post Graduate [ ]

(d) Professional [ ] (e) others _____

4. Occupation

(a) Student [ ] (b) business and service [ ]

(c) Stock trader and broker [ ] (d) House wife [ ]

(e) Retired [ ] (f) Others, please specify_____

5. Monthly family income (in Rs.)

(a) Below 50,0000 [ ] (b) 50,000-1,00,000 [ ]

c) 1,00,000-1,50,000 [ ] (d) Above 150,000 [ ]

6. Marital Status

(a) Married [ ] (b) Unmarried [ ] (c) Others, please specify_____

7. Do you have investment in Nepal's capital market? Please tick one.

Yes [ ] No [ ]

If yes, please tick your invested sector/s among the following

(a) Commercial Bank [ ] (b) Development Bank [ ]

(g) Hydropower [ ] (c) Finance Company [ ]

(d) Hotel [ ] (e) Manufacturing Company [ ]

(f) Trading Company [ ] (h) Others_____

8. In which of following markets do you prefer to buy securities?

(a) Primary Market [ ] (b) Secondary Market [ ] (c) Both [ ]

9. Approximately how many hours do you spend per month in investment analysis and decision making for your securities portfolio?

(a) Less than 3 hours [ ] (b) 3 to 5 hours [ ] (c) 5 to 10 hours [ ]

(d)10 to 20 hours [ ] (e) 20 to 30 hours [ ] (f) More than 30 hours [ ]

10. In how many different corporations do you currently own securities?

(a) None [ ] (b)1 to 2 [ ] (c) 2 to 5 [ ]

(d) 6 to 9 [ ] (e) 10 to 15 [ ] (f) More than 15 [ ]

11. What is your percentage of your income do you invest in equity shares?

(a) Below 10% [ ] (b) 10 – 30 % [ ] (c) 30 – 50% [ ] (d) Above 50% [ ]

12 Do you follow any specific procedure before deciding to invest in any securities?

(a)Yes [ ] (b) No [ ]

13. Please rate from 1 to 5 on the basis of the approaches most important to you while evaluating securities and or reaching the investment decision (1 being least important and 5 being the most important)

Criteria	**1**	**2**	**3**	**4**	**5**
a) Fundamental Approach, i.e., analysis of such fundamental factors as general business conditions, industry outlook, earnings, dividends, quality of management, etc.					
b) Technical Approach, i.e., analysis of market factors such as stock price movements, supply vs. demand, amount of odd-lot trading, resistance levels, short interest, charts, etc.					
c) Combination of fundamental and technical approaches					
d) Rely primarily on brokerage firm or account executive for recommendations					
e) Relay primarily on friends and family members suggestions					
f) Random					

14. Please rate from 1 to 5 the following factors that you get influenced by on which you agree strongly (that are important) while making an investment decision (1 strongly disagree and 5 strongly agree)

Criteria	**1**	**2**	**3**	**4**	**5**
a) Influence by Other Investors' Behavior					

b) Influence of Family and Friends					
c) Influence by Act of Whim					
d) Influence by Information Provided by Broker					
e) Influence by New(Public) Information					
f) Influence by Private (Inside) Information					
g) Influence by NEPSE Index					
h) Influence by Profitability of the Company					

15. What would you do if your friends are buying the stock in the market due to the boosting index?

(a) Sell the stock [ ] (b) Wait till the last moment [ ]

(c) Do nothing [ ] (d) Buy the stock in the market [ ] (e) Analyze the market and act [ ]

16. Which of the following option would you choose? When all your friends are selling stock in the market due to low market condition (stock price or NEPSE index)

(a) Sell the stock as friends do [ ] (b) Wait till the last moment [ ]

(c) Do nothing [ ] (d) Buy the stock in the market [ ] (e) Analyze the market and act [ ]

17. What is your source of information while making investment on your shares? (Please tick the multiple choices)

(a) NEPSE Index [ ] (b) Business Newspaper [ ] (c) News Channel [ ]

(d) Broker [ ] (e) Financial statement of company [ ] (f) Internal information [ ] (g) others,_____

18. Suppose we give you Rs. 1,000, which of the following options would you prefers? Please tick any one.

(a) You can receive another Rs. 500 for sure [ ]

(b) You can flip a fair coin. If the coin-flip comes up "heads," you get another Rs. 1,000, but if it comes up "tails," you get nothing [ ]

19. Please give a point 1 to 5 to define yourself as a risk taking investor

1 2 3 4 5

Risk averse investor High risk taking investor

20. Please give a point 1 to 5 to define yourself as a confident investor

1 2 3 4 5

Low level of Confidence High Level of Confidence

21. How much do you get motivated by the following factors while making an investment decision? Please rate from 1 to 5 the following factors that you consider important while making an investment decision (1 being lowest level of motivating factor and 5 being highest level of motivating factor)

Criteria	**1**	**2**	**3**	**4**	**5**
a) Long term goals of life					
b) Short term capital gains					
c) Long term capital appreciation					
d) Dividend income					
e) Speculation					
f) Marginal Lending					
g) Risk cover					
h) Social status					
i) Government Rules and Regulations					
j) Marketability of the stock(easy buy and sell)					
k) Access to Capital Market					
l) Central Depositary System (CDS)					

If any others, please specify_____

22. What do you suggest to investors in Nepal's capital market?

Appendix C

Result of Chi – square

Q.N.	NEPSE	Brokers	Investors	Total	Chi- square	5% level	Remarks
Q.1							
a.	2	5	9	16			
b.	6	6	11	23			
c.	1	1	3	5			
d.	1	1	4	6			
Total	10	13	27	50	3.76706	12.592	NHA
Q.2							
a.	9	11	21	41			
b.	1	2	6	9			
Total	10	13	27	50	1.687441	5.991	NHA
Q.3							
a.	1	1	2	4			
b.	6	9	17	32			

c.	2	3	7	12			
d.	1	-	1	2			
Total	10	13	27	50	1.6875	12.592	NHA
Q.4							
a.	4	3	5	12			
b.	3	4	17	24			
c.	2	3	2	7			
d.	0	0	1	1			
e.	0	2	1	3			
f.	1	1	1	3			
Total	10	13	27	50	10.17153	12.592	NHA
Q.5							
a.	4	6	16	26			
b.	2	2	8	12			
c.	1	1	1	3			
d.	1	1	0	2			
e.	2	3	2	7			
Total	10	13	27	50	6.3107	15.507	NHA
Q.6							
a.	7	9	21	37			
b.	3	4	5	12			
c.	0	0	1	1			

Total	10	13	27	50	1.7017	9.488	NHA
Q.7							
a.	2	2	5	9			
b.	0	1	1	2			
c.	0	0	2	2			
d.	0	0	1	1			
e.	3	3	3	9			
f.	2	2	4	8			
g.	2	3	7	12			
h.	1	2	4	7			
Total	10	13	27	50	5.5629	26.296	NHA
Q.8							
a.	4	2	4	10			
b.	1	3	4	8			
c.	5	8	19	32			
Total	10	13	27	50	3.6468	9.488	NHA
Q.9							
a.	2	3	9	14			
b.	2	3	5	10			
c.	1	2	5	8			
d.	1	1	4	6			
e.	1	1	1	3			

f.	3	3	3	9			
Total	10	13	27	50	3.7183	18.307	NHA
Q.10							
a.	2	3	2	7			
b.	2	2	9	13			
c.	1	1	1	3			
d.	1	2	4	7			
e.	4	5	11	20			
Total	10	13	27	50	3.843	15.507	NHA
Q.11							
a.	4	3	5	12			
b.	3	6	9	18			
c.	2	2	8	12			
d.	1	1	2	4			
e.	0	1	3	4			
Total	10	13	27	50	3.1518	15.507	NHA
Q.12							
a.	9	11	23	43			
b.	1	2	4	7			
Total	10	13	27	50	0.1685	7.815	NHA

Q.13 (a)							
a.	0	1	3	4			
b.	1	1	3	5			
c.	1	2	7	10			
d.	2	2	2	6			
e.	6	7	12	25			
Total	10	13	27	50	3.8804	15.507	NHA
Q.13(b)							
a.	1	1	5	7			
b.	1	1	7	9			
c.	2	3	6	11			
d.	2	2	4	8			
e.	4	6	5	15			
Total	10	13	27	50	5.7456	15.507	NHA
Q.13(c)							
a.	1	2	8	11			
b.	1	1	3	5			
c.	2	3	9	14			
d.	3	2	3	8			
e.	3	5	4	12			
Total	10	13	27	50	6.2089	15.507	NHA
Q.13(d)							

a.	3	2	15	20			
b.	2	4	2	8			
c.	3	5	9	17			
d.	1	1	1	3			
e.	1	1	0	2			
Total	10	13	27	50	10.087	15.507	NHA
Q.13(e)							
a.	5	3	7	15			
b.	1	2	3	6			
c.	2	4	7	13			
d.	1	2	8	11			
e.	1	1	3	5			
Total	10	13	27	50	3.848	15.507	NHA
Q.13(f)							
a.	4	5	13	22			
b.	2	2	5	9			
c.	3	3	7	13			
d.	0	1	1	2			
e.	1	2	1	4			
Total	10	13	27	50	2.8207	15.507	NHA
Q.14(a)							
a.	4	3	5	12			

b.	3	4	1	8			
c.	1	3	7	11			
d.	1	2	7	10			
e.	1	1	7	9			
Total	10	13	27	50	10.986	15.507	NHA
Q.14(b)							
a.	3	2	4	9			
b.	2	3	7	12			
c.	2	3	9	14			
d.	2	3	3	8			
e.	1	2	4	7			
Total	10	13	27	50	2.7851	15.507	NHA
Q.14(c)							
a.	4	4	8	16			
b.	1	1	2	4			
c.	3	5	8	16			
d.	1	2	5	8			
e.	1	1	4	6			
Total	10	13	27	50	1.2942	15.507	NHA
Q.14(d)							
a.	3	3	7	13			
b.	2	2	4	8			

c.	3	5	6	14			
d.	1	2	5	8			
e.	1	1	5	7			
Total	10	13	27	50	2.288	15.507	NHA
Q.14(e)							
a.	1	1	6	8			
b.	1	1	5	7			
c.	1	3	6	10			
d.	3	3	2	8			
e.	4	5	8	17			
Total	10	13	27	50	6.1563	15.507	NHA
Q.14(f)							
a.	1	2	6	9			
b.	2	3	6	11			
c.	2	2	7	11			
d.	2	2	2	6			
e.	3	4	6	13			
Total	10	13	27	50	2.6194	15.507	NHA
Q.14(g)							
a.	0	1	7	8			
b.	1	2	7	10			
c.	2	3	7	11			

d.	5	3	2	10			
e.	2	4	4	11			
Total	10	13	27	50	12.959	15.507	NHA
Q.14(h)							
a.	1	1	2	4			
b.	0	0	2	2			
c.	3	3	11	17			
d.	2	3	3	8			
e.	4	6	9	19			
Total	10	13	27	50	3.9341	15.507	NHA
Q.15							
a.	4	4	8	16			
b.	2	3	4	9			
c.	0	1	1	2			
d.	1	2	1	4			
e.	3	3	13	19			
Total	10	13	27	50	4.6843	15.507	NHA
Q.16							
a.	0	0	1	1			
b.	3	3	6	12			
c.	1	1	2	4			
d.	2	3	6	11			

e.	4	6	12	22			
Total	10	13	27	50	1.1823	15.507	NHA
Q.17							
a.	3	4	8	15			
b.	2	2	3	7			
c.	2	2	6	10			
d.	1	1	2	4			
e.	0	0	2	2			
f.	0	2	1	3			
g.	0	1	2	3			
h.	2	1	3	6			
Total	10	13	27	50	6.4036	23.685	NHA
Q.18							
a.	8	9	16	33			
b.	2	4	11	17			
Total	10	13	27	50	1.4806	7.815	NHA
Q.19							
a.	0	0	2	2			
b.	2	2	2	6			
c.	5	4	12	21			
d.	2	6	9	17			
e.	1	1	2	4			

Total	10	13	27	50		15.507	NHA
Q.20							
a.	1	2	4	7			
b.	1	2	4	7			
c.	3	3	6	12			
d.	2	2	5	9			
e.	3	4	8	15			
Total	10	13	27	50	0.5594	15.507	NHA
Q.21(a)							
a.	2	2	4	8			
b.	1	1	1	3			
c.	2	3	9	14			
d.	2	2	3	7			
e.	3	5	10	18			
Total	10	13	27	50	1.874	15.507	NHA
Q.21(b)							
a.	1	2	4	7			
b.	2	2	4	8			
c.	3	3	10	16			
d.	3	4	7	14			
e.	1	2	2	5			
Total	10	13	27	50	1.4715	15.507	NHA

Q.21(c)							
a.	1	2	2	5			
b.	1	1	4	6			
c.	3	4	9	16			
d.	3	3	5	11			
e.	2	3	7	12			
Total	10	13	27	50	1.5642	15.507	NHA
Q.21(d)							
a.	1	2	2	5			
b.	2	2	7	11			
c.	2	2	3	7			
d.	2	3	4	9			
e.	3	4	11	18			
Total	10	13	27	50	2.1882	15.507	NHA
Q.21(e)							
a.	2	3	6	11			
b.	2	2	5	9			
c.	3	4	8	15			
d.	1	1	5	7			
e.	2	3	3	8			
Total	10	13	27	50	1.8928	15.507	NHA
Q.21(f)							

a.	1	1	3	5			
b.	2	2	4	8			
c.	3	4	7	14			
d.	2	3	9	14			
e.	2	3	4	9			
Total	10	13	27	50	1.2967	15.507	NHA
Q.21(g)							
a.	2	2	6	10			
b.	1	2	4	7			
c.	5	5	12	22			
d.	1	2	3	6			
e.	1	2	2	5			
Total	10	13	27	50	1.2573	15.507	NHA
Q.21(h)							
a.	1	2	7	10			
b.	1	2	5	8			
c.	4	5	9	18			
d.	3	3	4	10			
e.	1	1	2	4			
Total	10	13	27	50	2.5552	15.507	NHA
Q.21(i)							
a.	0	0	3	3			

b.	1	1	2	4			
c.	2	2	2	6			
d.	5	6	7	18			
e.	2	4	13	19			
Total	10	13	50	50	7.1951	15.507	NHA
Q.21(j)							
a.	1	1	2	4			
b.	2	1	2	5			
c.	3	3	5	11			
d.	3	4	6	13			
e.	1	4	12	17			
Total	10	13	27	50	10.122	15.507	NHA
Q.21(k)							
a.	1	1	4	6			
b.	1	1	2	4			
c.	4	4	10	18			
d.	2	3	7	12			
e.	2	4	4	10			
Total	10	13	27	50	1.8572	15.507	NHA
Q.21(l)							
a.	1	1	4	6			
b.	1	1	1	3			

c.	3	3	7	13			
d.	2	2	5	9			
e.	3	6	10	19			
Total	10	13	27	50	1.5611	15.507	NHA

Note: NHA means Null Hypothesis Accepted