INFLUENCE OF INVESTOR'S ETHICS AND BEHAVIOR ON FINANCIAL SATISFACTION OF CAPITAL MARKET INVESTORS OF KATHMANDU

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RECOMMENDATION

CERTIFICATION

DECLARATION OF AUTHENTICITY

I, Sushma Khadka, declare that this GRP is my own original work and that this study has fully and specifically acknowledged whenever adopted from other sources. I also understand that if at any time it is shown that I have significantly misinterpreted materials presented to School of Management Tribhuwan University; any credits awarded to me on the basis of that material may be revoked

Signature

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ABBREVIATIONS

AHP	:	Analytical Hierarchy Process
CMCL	:	Chilime Hydropower Company Limited
CSP	:	Corporate Social Performance
CSR	:	Corporate Social Responsibility
EPF	:	Employment Provident Fund
FS	:	Financial Satisfaction.
IE	:	Investor’s Behavior.
IE	:	Investor’s Ethics.
SEBON	:	Security Board of Nepal
SOMTU	:	School of Management Tribhuvan University
SPSS	:	Statistical Package for Social Science
SRI	:	Social Responsible Investment
UTHPL	:	Upper Tamakoshi Hydropowder Project Limited

EXECUTIVE SUMMARY

This study examines the influence of ethics in investment on the financial satisfaction of the investors of capital market where investor behavior has been included to assess how it mediates the relationship between ethics and financial satisfaction.

The research used descriptive research design. Using convenience sampling, the responses were collected from 384 investors of capital market through questionnaire survey. The collected data were organized, analyzed and tabulated using Microsoft Excel and SPSS software. Both descriptive and inferential analysis was done to meet the objectives. In order to test the mediating effect, regression analysis was done using Andrew Hayes Process.

The study revealed that ethics in investment have significant and positive influence on investor behavior and financial satisfaction. Similarly, investor behaviors do have significant positive impact on financial satisfaction. In addition, the ethics in investment have positive significant impact on financial satisfaction of investors through investor's behavior.

Results define that existence of ethical awareness by investors has direct impact on their behavior & behave in accordance with the ethics as well as it impact on financial satisfaction as the end result of investor behavior. As per the ethical principles, morals, values investor make investment decision which affects the personal investment choice and their financial satisfaction level. Therefore, the consultants, financial advisors and marketers need to consider ethics while delivering information to their investors. Eventually, that improves the service quality in financial market.

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Satisfaction is the important measure of desire level of happiness. Oliver (2000) explained that happiness is the outcome of an individual's highly developed processing skills being applied to a set of data and updating prior information and discovering new knowledge. However, the achievement of the desire financial level in order to achieve the happiness of the life for the individual is symbolized by financial satisfaction (Parmitasari et al., 2018). Likewise, the study of financial satisfaction and the factors contributing to it are significant for enhancing the individual financial happiness (Xiano et al, 2009). That is why financial satisfaction is an important measure for level of happiness. Similarly, financial satisfaction can enhance the personal satisfaction and more broadly, life satisfaction in contrast financial difficulties and dissatisfaction with one's personal status can lead to stress and depression (Toscano, Amestoy &Rosal, 2006).

Finance is an important life domain in the modern society. So, quality of life is affected by the satisfaction in life including the financial satisfaction (Michalos, 2008). Even the same emphasis is expresses by Hira and Mugenda (1998) that is financial satisfaction is the test of personal financial management that has achieved the success. Moreover, financial satisfaction serves as an important mediating factor between the income and Subjective well - being (Diener and Biswas, 2002). Furthermore, the people who receive the high income tend to experience the higher subjective and psychological well-being compared to people who receive a low income.

Moreover, financial satisfaction is a crucial aspect of financial literacy and financial behavior because of their positive influence on financial satisfaction. So that, an investor with good financial literacy will have an effect on the financial satisfaction of investor with good financial literacy will have an effect on the financial satisfaction of investor because they know well how to manage their finance. So with good financial literacy will form a good financial behavior as well as impact on financial satisfaction

(Hasibuan et al., 2017). Therefore, financial behavior can affect the financial satisfaction.

Financial behavior is vital efforts made by individuals in order to improve their happiness or welfare and avoid their financial crisis (Parmitsari et al., 2018). In addition, financial behavior can improve the individual financial management responsibility (Arofah et al., 2018).

Nowadays, financial behavior of individual can be effectively changed when changing in context or environment rather than mindset (Dolan et. al, 2012). Similarly, those nine interventions that change individual several decisions are messenger, incentives, norms, default, salience, priming, affect, commitment and ego. Moreover, financial behavior is instrumental in making the investment decision (Arianti, 2018). Similarly, In the contrary, investment decision maker do not always behave in accordance with the perception and understanding of the information received (Christani and Mahastani, 2011).

In the present day, Behavioral finance is becoming an integral part of the decision-making process, because it greatly influences investor’s behavior in decision making. Better understanding of behavioral finance will help the investors to select a better investment option (Riaz et al., 2012). Slovic (1972) stated that investment behaviors of investors are defined as how the investors judge, predict, analyze, and review the procedures for decision making, including investment psychology, information gathering, defining and understanding, research and analysis. Nowadays, the financial services sector has become highly diversified, offering investors a wide range of investment avenues. Understanding investor's varying behavior is significant for wealth management (Janardhanan& Ps, 2015). That's why the policymaker, investment agencies, researchers, and manager required prepared themselves for responding to investors' varying behaviors.

Financial Knowledge backed up by a healthy financial behavior will further improve its financial satisfaction (Arifin, 2018). Financial Knowledge is also supported by a high awareness of the importance of making financial plans and better regulates its implement in the long term. In addition future needs can be met, use the funds effectively, and choose financial products with lower costs, and better credit conditions so that individuals feel satisfied with their financial condition. In similar manner, financial education is categorized to improve financial literacy, motivation for desire financial behaviors, and enhancing financial wellbeing among the consumers (Lusardi & Mitchel, 2014).

Saving should provide rate of return otherwise, it does not fulfill the development purpose. The salaried class employees get stable and assured income but savings can be still being augmented from the salaried class even the financial system made more attractive to them. Therefore, financial institutions should promote to understand the behavior of employees and to what extent salaried class employees satisfied towards various investment avenues (Ishwara, 2014).Financial institution should promote to understand the risk behavior of salaried employees and choose the investment avenues for financial satisfaction to them. Chowdhury (2016) explained that saving, investment, and risk tolerance level depend on the earning capacity of the investor and women who are quite rational and continuous in dealing with their hard save amount. Moreover, women are half (49.51 %) of the total population in Bangladesh. However, creating more dynamic, convenient, flexible, and financially attractive investment opportunities for women can free the country from poverty, superstitions and social challenges. The investment opportunities significantly influence financial behavior. Therefore, it is crucial for allot gear up the economic development of nation.

Investors are quite aware and invest their money in traditional and safe financial products whereas awareness of modern financial products is low (Bhusan, 2014). In the capital market, no one can beat the market in short term. So, every single investor prefers the low risk and safe financial instrument. In a similar manner, several studies also noted that investors considered the safety while choosing the investment avenues. (Pandey, 2014; Bhusan, 2014; Chabbra & Mundra, 2014).

Ethics has become a mainly concerned in investment decision especially in capital investment. Investor states their investment amount by confirming that investments are in harmony with ethics. During the selection of companies for invest, investors have taken the selection process by applying criteria of moral criteria as well as environmentally friendly (Wilson, 1997). Similarly, investors make investments in the companies, which they seen ethical, even if the predicted gains are lower than others companies (keller & Siegrist, 2006; Nilsson, 2008; Williams, 2007)

Past market conditions and management ability lead to change in the wealth position of individuals, though it eventually affects maintaining ethical investment (Szyszka& Ali, 2006) . As per the market risk, individual adjust their ethical behavior which declared that during the low market risk investor remain ethical , though during high market risk investor more concern to their wealth rather than maintain the ethical behavior .

There are three motivations for ethical investment: financial return, non- wealth returns and social change in the meantime the single motivation will not explain the behavior of all ethical investment. Similarly, there may be a trade- off between the financial and psychic returns, like consumption- intensive investors want the maximum utility with small - level ethical investment. In addition, psychic return put more happiness to do the ethical investment (Beal et al., 2005)

1.2 Statement of Problem

There are many researches regarding the investment behavior for investment decision in capital market of Nepal. (Adhikari 2010, Joshi 2018, Adhikari 2020, Kadariya et. al, 2012). Adhikari (2010) suggested that Most of the Nepalese invested in the stock market for both financial and non-financial reasons. The behavioral factors such as information availability, overconfidence, herding behaviors were found most influential in the investment decisions. Similarly, Joshi, (2018) found Nepalese capital market had erratic trend, so that Majority of the stockholders considers the firm reputation in the industry and opinion of the firm before investing in any stock. Similarly, Adhikari(2020) examined the factors affecting the individual investment decisions on Nepal Stock Exchange and found that information structure and market related factors systematically affect the investment decision of individuals. Such as : perceived ethics of the firm , firm status in industry, the result in technical analysis, opinions of the firm's majority stockholders, fluctuations in stock index , family members opinions .

In Nepal till now, there have not been studies any specific study on ethical analysis in capital market. In contrary, As per the previous governor Dr. Yubraj khatiwada on the program of Business ethics on prosperous Nepal, organized by World Forum for Ethics in Business declared that Doing socially responsible business leads towards ethical business practices, that means a business can get in the long term only if it also takes into account the needs of other stakeholders such as governments, employees, suppliers, communities and customer rather to limited expenses at social, environmental and moral considerations . Similarly, past data clarified that ethics needs to be considered to manage the capital market operation. Like SEBON allotting the shares of Upper Tamakoshi Hydropower Project Limited (UTHPL) to the employees of lender institutions like Employment Provident Fund (EPF) even though they did not lesson from CHCL (Chilime Hydropower company limited).It is violation of fundamental principle of issuing shares to the public, violation ethical standard and can be considered as a several gap in policy level. As a result shares are 'locked up' before gone to market. However, SEBON is failing to prevent unusual insider trading that constraints for a fair security market and overall development of capital market.

Earlier researchers suggested that moral benefits are primary concern to investors (Webley, lewis, and Mackenzie, 2001, Beal, Goyen, AND Philips, 2005), whereas more recently, Doskeland and Pederson (2016) explored investors preferred to wealth maximization rather than moral benefits. Further, financial ethics have central role to achieve the sustainable development goal of financial market (Badia et. al 2018). Mainly financial ethics mainly affect the long term investment which helps to get effective pricing in secondary market. Similarly, keller and Siegrist (2006) explained that certain segments of investors were willing to do social investing. Even though the social responsible companies may be giving less return, investors feel that long term investment in these companies would be secure.

Many studies show that adequate level in financial attitude, knowledge, capability and advice are crucial in acquiring the financial satisfaction (Grable and Joo, 2004, Arifin, 2018). In addition, Risk tolerance level of individual is insignificant with financial satisfaction of investors which means high risk tolerance can get the lower financial satisfaction. In a contrary, financial self-efficacy perform as a significant predictor of desirable financial behavior (Asebedo and payne, 2019; Lim et al., 2014), which supports to get life satisfaction. In regard, with higher financial self-efficacy investors get the greater life satisfaction. Moreover, financial satisfaction accounted by income level (Toscano et al., 2006). That means the relationship between the financial capability and financial satisfaction is strong in the societies, higher level of income can achieve the higher financial satisfaction and vice versa.

There are many research regarding the investor behavior of investors during the investment in capital market (Stankovic & Todorovic, 2014; Patel & Patel 2012, Sarkar & Sahu, 2018). Stankovic and Todorovic (2014) examined the how the investors considered the investment under the condition of risk at capital market and found that investors are not always taking the rational decision. That means investors perform against the rational choice theory. Furthermore, rational behavior expected to professional investors in contrary retail investors behave in accordance with prospect theory in absence the sufficient knowledge and experience to assess the profitability of investments. Similarly, Patel and Patel (2012) focused on border understanding of behavior of investors, through which they know the patterns of their investing and considering investment. However, most of the investor set the time period before investing and generally, invest in medium term. Further, investment amount in equity market depend on family income, behavior in bearish market is dependent on investment experience in contrary in bearish market investors search for alternatives which gives stable returns even though it is lower than expected result.

However, previous studies do not provide evidence on Influence of Investor's ethics and behavior on financial satisfaction of capital market investors of Nepal.

Hence this study deals with the following issue:

i. Is there influence of financial behavior factor like: investor behavior of capital market investor on their financial satisfaction?

ii. Does ethics of capital market investor's effect on their financial satisfaction?

iii. Can investor's behavior mediate effect of ethics in capital market on their financial satisfaction?

1.3 Objectives of the Study

Every study has its definite research objective that guides their research work. In this study, it goes out with examining investor's ethics and behavior on financial satisfaction of capital market investors.

The objectives of the study are:

- To examine influence of investor's behavior of capital market investors on their financial satisfaction.
- To identify effect of investor's ethics of capital market investors on their financial satisfaction.
- To examine mediating effect of investor's behavior on link between ethics and financial satisfaction of capital market investors.

1.4 Hypothesis

The hypothesis has been constructed after reviewing the theoretical framework developed by Parmitasari, Hamsah, Alam & Laba (2018). The study aims to examine the relation between ethics and financial satisfaction through proven investor behavior. And, the proposed hypotheses are:

H1: Investor's ethics has positive effect on financial satisfaction.

H2: Investor's ethics has positive effect on investor's behavior.

H3: Investor's behavior has positive effect on financial satisfaction in investor's ethical path.

H4: Investor's behavior partially mediates effect of investor's ethics and financial satisfaction.

1.5 Rationale of Study:

The study has been carried out in order to identify the mediating effect of investor behavior on relationship between the investor's ethics and financial satisfaction. The research could provide notable insights in those areas and fill an important knowledge gap. From the academic perspective, the study could be more significance for further researcher for reviewing the literature regarding the investor's ethics affects the financial satisfaction with investor behavior as intervening. Also, research helps to add knowledge base to the existing research gap in the context of Nepal. On the other hand, the study could be significance for all the investors and also those who are intend to invest. This could provide notable insight for all investor regarding the financial satisfaction with fair market regulation and help them to manage their better trading decision

1.6 Limitations

The study is not free from limitations. The major limitations are as follows:

- The study was based on primary data. So, the limitations of primary data may be inherent in the study.
- The investor's ethics and behavior on financial satisfaction of capital market investors of Nepal was examined on the basis of data collected through self- administered questionnaire, so there may be risk of biases.
- The study focused on influence of investor's ethics on financial satisfaction through investor's behavior only, but there may be other significant perspective, which have not been considered.
- Lack of relevant literature particularly in Nepalese perspective is another limitation of this research.
- The responses are solely based on structured questionnaire. So, it may not significantly underline the true picture about the research.

1.7 Structure

This GRP report consists of three major sections: preliminary materials, body of the report and supplementary materials. The preliminary part includes title page, certification, declaration of authenticity, acknowledgements, table of contents, list of figures, abbreviations used in the report and executive summary. The body part includes five sections: Introduction, Related Literature and Theoretical Framework, Research Methods, Analysis and Results, and Discussion, Conclusions and Implications.

The introduction section of the report consists of Background of the study, Statement of the problem, Objective of the study, Hypotheses, Rationale of the study and Limitations. In the second chapter, the report consists past literature reviews related to investor's ethics, investor behavior and financial satisfaction for investment in capital market . It reviews the past established relationship between investor's ethics and financial satisfaction with involvement of investor's behavior. This chapter further consists of theoretical framework, which explains the relationship between dependent, independent, and mediating variables.

The third chapter consists of the outline of methodology used for the study. It includes descriptions about the research design, sample and population of the study, nature and sources of data, instruments and procedures used for the study and a brief introduction of the data analysis techniques. The fourth chapter includes data analysis and results. The collected data are analyzed through descriptive and inferential analysis.

The fifth chapter discusses about findings of the study and creates link with previous studies. On the basis of the research objectives, the findings are compared and concluded. Moreover, implications of the study have also been highlighted in this chapter. And, the final supplementary part includes bibliography and appendices related to study.

CHAPTER II
REVIEW OF LITERATURE

2.1 Behavioral Finance

Many researchers in the past decades have indicated that the traditional finance is not able to explain investors' observation and experience in the financial markets in reality (Takahashi &Terano, 2003; Shiller, 2003; Chang, 2008; Firat&Fettahoglou, 2011). This is because of human foibles, arbitrary feedback relations, a real and substantial misallocation of resources which are aspect of behavioral finance (Shiller, 2003). The concept of behavioral finance started to emerge during 1990 and based on the notion that behavioral finance is the interdisciplinary relationship between sociology, psychology, and standard finance. Bakshi (2020) explained that how the traditional finance transited from traditional finance to behavioral finance based on descriptive and conceptual study.

Behavioral finance is a theory that is still relatively new but has grown rapidly in the development of behavioral Knowledge in finance. This theory helps in searching for explanations for human economic decisions that combine behavioral and cognitive psychology theories with conventional finance and economics (Baker & Nofsinger, 2010). Similarly, Behavioral finance is the application of psychology to financial decision making and financial markets (Shefrin, 2009). So, it explains how the psychological and sociological factors as shaped up through contextual factors influence the investment decisions because of the inevitable roles of those factors, and occurrence of the behavioral biases: overconfidence, disposition effect, cognitive dissonance, and loss aversion (Ricciardi & Simon, 2000). So investors always can't behave rationally to neutralize the discrepancies between real market price and intrinsic value .Upadhyay and Shah (2019) also stated that behavioral financing is an evolving field that studies how psychological factors affect decision taking under uncertain conditions. Further, Peterson (2007) documented that bio feedback can improve decision-making, especially in a trading or crisis environment, by increasing the individual awareness of emotions being experienced and their relationship to unfolding events.

Bikas et al. (2013) used graphical visualization to understand the emergence and development trend of behavioral finance and from the study they found that the goals of recognition and emotional factors on market movements focusing on a limited number of investor rationality and explain the psychology effects on the financial activities. Furthermore, behavioral finance defines why investor makes the one or another decision.

2.2 Investor's Ethics

Ethical Behavior is an action that confirms to a substantive normal standard, that's why investment with ethics is the use of ethical and social criteria in selecting and managing its investment portfolio (Schwartz, 2003). Similarly, Pettijohn et al. (2008) noted that individuals will behave by what is believed to be true or what is called ethics. Therefore, if the individual is aware about the ethics then they will behave accordingly. So, Lincoln and Holmes (2011) revealed that positive relationship between moral intensity and ethical decision making. In addition enhancing the moral education significantly influences the ethical decision making through which individual to know their strength and weakness. Epstein (1994) investigated the importance of annual reports for the shareholders. The authors concluded that investors investing in companies also want employee's relations, their ethics, and involvement in community. Similarly, shareholders have strong demand for social information, though the company should consider the social information in annual report. Meanwhile, Jaramillio et al. (2006) concluded that ethics will lead individuals to behave accordingly and individuals will have the satisfaction to behave in harmony with their own ethics.

In another study, kreander et al. (2005) conducted a study using non-parametric test for comparing the performance of ethical and non- ethical funds and indices, the studied reach the conclusion that Social Responsible Investment (SRI) performance is not significantly different from the other types of investments. In other words, there is no difference between ethical and non- ethical funds according to the performance measures employed. In field of corporate social performance (CSP), Brammer et al. (2006) analyzed the correlation between corporate social performance and corporate financial performance and stock returns. The result revealed that CSP does not have any financial effect on stock value. That means relationship between corporate social performance (CSP) and financial performance is negative and insignificant. However, Godfrey et al. (2009) found there is an effect of corporate social responsibility (CSR) on capital prevention, but it does not expand capital structure of the firm.

Furthermore, Mclachlan and Gardner (2004) surveyed the comparative examination of socially responsible investors and convention investors to identify such factors. The study conducted by distributing the mailed questionnaire to 55 conventional investors and 54 ethical investors about their investment, general behavior, attitude and beliefs. However, the research result indicates that socially responsible investors differ in critical way to conventional investors. For instance: Differs in the beliefs of the importance of ethical issues, their investment decision-making style, and their perception of moral intensity. Therefore, the author concluded that ethics and social responsibility are also factors that affect personal investment.

Moreover, Dorfleitner and Nguyen (2016) analyzed the determinant of optimal portion for social responsible (SR) investment that private investors obtain while forming their portfolio which showed that optimal percentage for social responsible investment depend on investment volume and investor investment motive. That means, investors optimal proportion for SR investment will be lower if available investment volume is high or if investors preferred financial objectives rather than non-monetary issue will have lesser SR investment portfolio percentage. However, Keller and Siegrist (2006) explained that specific segments of investors were willing to do social investing. Even though the socially responsible companies may be giving less return, investors feel that long – term investment in these companies would be secure.

In similar manner, Nilsson (2008) revealed private investors focused to ethical investment even though it brings less monetary returns which showed the significant relationship between the investment portfolio in SRI and perception of SRI return. Furthermore, Baucer and Smeets (2015) declared that major motive for social responsible investment is the perception of belonging in social group rather than return expectations.

In contrary result, Ali and Szyszka (2006) conducted a study using research questions whether investors, on average, would remain committed to ethical investments in the face of decreasing wealth. The result showed investors maintain their ethical investment as per the market risks as failed in case of maintaining ethical principle than returns. That means during the low market risk investors maintain their ethical principle, though the high market risk investors focused to more wealth rather than maintaining the ethics.

In Nepal, Ethical value of company was not taken in high priority at the time of investment decisions of the investors Pandey et al. (2020). However, Adhikari (2020) examined the factors affecting the individual investment decisions on Nepal Stock Exchange and found that information structure and market – related factors systematically affect the investment decision of individuals. Such as perceived ethics of the firm, firm status in the industry, the result in technical analysis, opinions of the firm's majority stockholders, fluctuations in the stock index family member's views.

On the contrary, Chowbey et al. (2016) also conducted a study for an overview of ethical conventions reflected in investor's investment decisions and try to construct the various forces that drive investors to invest. Therefore, Researchers found that financial investments make to gain financially and have an insignificant relation with moral values. So, the financial benefit is the strong recognition of ethical issues. Besides, this study found the contradict result with earlier studies like social responsible investment (SRI) is equal to the conventional investment for capital investment decision.

Biglari (2018) stated that implication and significance of management ethics over the stock performance in Malaysia. The stock performance was measured using Return on Equity (ROE), Return on Assets (ROA), Earnings per Share (EPS) and Price Earnings Ratio (PE) for the public listed companies in Malaysia and the management ethics factor was analyzed through scorecard method and using the shareholder wealth maximization model. The result showed significant relationship of management ethics on shareholder wealth maximization, whereas insignificant relationship was obtained between stock performances and ranking of the firms. But still found debate on relationship between the management ethics and the stock performance in Malaysia because of many academics focused on the CSR part of the management ethics rather than including other variables and finding their aggregates impact on the financial performance of the firm.

Furthermore, Desai (2015) identified ethical issues in the Indian financial services industry and her research showed that greed and unethical behavior by market participants is a culprit for financial crises and therefore it would be unwise to ignore the area of ethics. Therefore, financial services industry must have absolute ethical standard

Prentice (2007) investigated the difficulties in the ethical decision making and found that decisions that have an ethical aspect are subject to various biases in how people see the situation and how they tend to behave. The author described many of the cognitive biases and decision heuristic that can create ethical traps. Insights presented by him can assist the well-intentioned to do the right thing in difficult situations. So investment decisions related to ethical aspects are subject to various biases.

2.3 Investor's Behavior

Pandey et al. (2020) conducted the study in Nepal using the correlation and regression analysis which showed the psychological factors of investor's decision in the equity market , measured by self-image and firm image coincidence , accounting information, advocate recommendation, and private financial needs have significant impact on the psychology of investors in investment decision on stock market. Chowdhury (2016) studied the saving, investment and risk tolerance capacity of working women on the Chittagong. The author used the non-parametric tools to know the relation between the income, investment, age, experiences and found that amount of investment depends on the income level of investor as well as investment experience come through the time. In addition, women invest their savings in a more disciplined manner; quit rational and continuously invest their hard-saving amount. Investors behavior influence by risk tolerance capacity of investors, though investors who want to generate higher return will invest in the securities with high risk, while risk avoiding investors will invest in securities with low risk hence result is low profits (Injodey & Alex, 2011).

Moreover, Ozer and Mutlu (2019) identified the effect of personality traits on financial behavior using the multiple linear regression analysis and found that all dimensions of personality traits have positive effect on financial behavior except extraversion and neuroticism. That mean, personality characteristics are crucial to define individual investment behavior due to individual differences. Thus, The psychological factors as compared to economic factors are found more influential in deciding the behavior of the investors (Sarwar, Afaf, & McMillian, 2016).

Ishwara (2014) used the convenient sampling technique to analyzed the behavior and level of satisfaction towards various investment option among the salaried class employees in the Manglore city and reveled that majority of the respondent behave positive way while choosing their investment or limited number of respondent have complete aware about the marketable and non-marketable securities and more focus to the physical assets.

Barbar and Odean (2013) explored about the behaviors of individual investors, where investors' engagement in reinforcement learning by categorizing the previous set of gains and losses and prefer to buy the stocks with recent successful trading. However, Amudhan et al.(2016) conducted the performance investment behavior concerned with choices about purchases of small amounts of securities, deposits, mutual fund, insurance, chit Funds. Researchers confirmed that there looks to appositive degree of correlation between the factors that behavioral finance theory and previous empirical evidence identified the average investor. The research result indicated that investment offers a person's money to gain future income in the form of interest, dividend, rent, premium, pension profit or approval of the value of their standard capital. In similar manner, Sultana and Pardhasaradhi (2012) documented that investors preferred investments with capital appreciation. Moreover, the investors were observed to be highly dominated under the rumors and hunches of the market, rather than real time information (Karki &Adhikari, 2014).

Thapa (2012) examined the investment behavior of individual investors in Nepalese Stock market, having major focus on core factors contributing for parenting the investor's psychology after collecting opinions from three groups: investors, broker and executives. The study demonstrated that most of the investors prefer to have short term profit making goal, which if not associated with education, professionalism then can be resulted into aggressive investment with large amount and lower frequency of trading. As the market brokers indicated the absence of investors' preference to take 20 advices for trading, so found less effective for reducing the pessimism among investors raised with lack of adequate knowledge. In the Indian securities market, Singh and Sharma (2017) investigated the individual investment behavior for Indian Securities Market Instruments using the Analytic Hierarchy Process (APH). The results indicate that individual investor's decisions influence by the different psychological factors. Among the psychological indicators investors have high level of overconfidence while they are not much optimistic about the future prediction of market and aversion to risk. That's why it is clearly found that Majority of the investors believed that they have better stock picking ability, complete knowledge about stock market based on their investment experiences, own specified skills advantaged to earn more profit in comparison to others investors.

Phan and Zhou (2014) conducted an empirical study on factors influencing individual investor behavior of the individual investors in Vietnamese stock market. The authors concluded that individual with higher subjective norm would be more likely to have investing intention than those with less subjective norms. That means individual investment intention is significantly affect by his attitude. Furthermore, the attitude towards investment is affected by four psychological factors (overconfidence, excessive optimism, herd behavior and psychology of risk. Similarly, Sugiyanto et al. (2019) also declared that financial attitude significantly affect the financial behavior of young pioneer business entrepreneur.

Moreover, Pascual-Ezama et al. (2014) conducted a study among individual investors from the Spanish stock exchange using Path Analysis in a structural equation modeling (SEM). The results indicated that an individual investor's perceived behavioral control toward investing in stocks exchange is positively associated with behavioral intentions towards investing in stocks exchange.

Dangol and shakya (2017) further examined thee investors' choice for the different sources of advices before taking investment decisions based on the heterogeneity in the extent of financial literacy among investors. The study found out that financially literate investors were enriched with ability for going through rationale assessment of the surroundings rather than relying on range of advices from either family or friends or financial advisors. So the gained confidentiality can be attributed to the growth and maturity of investors' psychology, as nurtured through personal experiences. Similarly, Kadariya (2012) concluded that Nepalese stock market had attracted young investors. The investors were well educated. The investors had preferred capital gain rather than dividend gain. The fundamental analysis, market noise, media and informal talks were the major determinants of investment decision.

The results of Joshi (2018) confirmed the similar conclusion that overdependence on the brokers' recommendations can easily let the stock brokers to manipulate the market data in presence of conflict of interests, so investors demonstrated high confidence on their own opinion as shaped out from firm reputation, other investors' opinion, risk- return estimation based on personal financial needs.

Similarly, Patel and Patel (2012) focused on broader understanding of the behavior of investors through which they know the patterns of their investing and considering an investment. However, most of the investors set the period before investing and generally invest in the medium term. Further, the investment amount in the equity market depends on family income. The bullish market is dependent on investment experience. On the contrary, in the bearish market, investors search for alternatives that give stable returns even though it is lower than expected.

Several studies have been conducted in financial behavior influence by financial knowledge, financial experience, financial literacy, gender, and locus of control (Robb and Woodyard, 2011; Arifin 2017; Purwidianti, 2018). Robb and Woodyard (2011) investigated financial Knowledge and best practice behavior. The findings of this research stated that financial Knowledge influence the financial behavior. Similarly, Arifin (2017) found that positive relationship of financial knowledge and locus of control to financial behavior, while income does not follow the same direction which means that greater knowledge about financial market access the better financial behavior. And Similarly, Purwidianti(2018) revealed that there is positive and significant influence from financial knowledge, financial experience and financial literacy to financial behavior of investor and author failed to show the effect of gender and family member on financial satisfaction.

2.4 Financial Satisfaction

Joo and grable (2004) showed the determinants of financial satisfaction with using path analysis and revealed that financial knowledge, risk tolerance, financial solvency, financial behavior and financial stress have direct or indirect effect on financial satisfaction. That means, financial education encouraged to improving the financial behavior which significantly effect on reducing the financial stress and finally increasing the financial satisfaction. In regards with age, gender, ethnicity and marital status had insignificant relation with financial satisfaction but Sahi (2013) found the positive relation between following variables. Similarly, Hansen et al. (2008) showed influence of assets and liabilities on financial satisfaction in old age and result indicated that financial satisfaction has significant relation with age, more likely, net wealth and Unlike previous research, Grable et al. (2013) figured out that Financial satisfaction has positively associate with perceived income adequacy. Like those investor who perceives their income as a deficit would financially satisfied lower. However, Brown & Gray (2016) and Mahdzan et al (2020), declared that financial wellbeing (FWB) enhance with age , While other several authors found that age is significantly related with FWB but not linearly (Chatterjee et al., 2019 and Collins and Urban, 2020). In regards with Michalos and Orlando (2006); Xiao, Tang and Shim (2009) found that financial satisfaction is positively related with life satisfaction. Thus, financial satisfaction is a specific measure of financial wellbeing.

2.5 Ethics and Investor Behavior

Ali et al. (2017) examined investor's potentiality in social responsible investment decision in Pakistan and revealed that personality traits (agreeableness, neuroticism and openness) influenced on financial decision making specifically in social responsible investment. Thus, a personality trait affects the social responsible investment decision. However, Barreda-Tarrazona (2011) defined that people who are more interested about the social responsibility allocate the more portfolios on social fund in spite of the getting lower return than non-social fund. Hence, investors who are motivated by the social responsibility rather than social return and more risk averse will prefer SR fund. Similarly, Rieldl and Smeets (2017) declared that some investors are ready to forgo their certain portion of the return in order to access a nonfinancial utility .Further studies like Beal et al. (2005) and Goodman and Arenas (2015) figured out that willingness to ethical investment increase through financial & non-financial returns or entire positive social changes. Therefore, investment decision- making influenced by mainly two factors: financial and non-financial benefit.

2.6 Investor Behavior and Financial Satisfaction

Similarly, Arifin (2018) studied the influence of financial Knowledge and financial attitude toward financial satisfaction with financial behavior as an intervening variable in the Jakarta area workforce and found that financial Knowledge and financial attitude have positive influence on financial behavior. Also, financial behavior is mediating the relation between the financial Knowledge and financial attitude towards financial satisfaction. Moreover, Coskuner(2016) explored the understanding factors affecting financial satisfaction: the influence of financial behavior, financial Knowledge and demographics. The result of this research showed that positive financial behaviors and financial Knowledge contribute to financial satisfaction. The only demographic variable that has a significant impact on financial satisfaction was household income. Along with this, Xiao and Porto (2017) also indicated that financial behavior has strong mediating effect between the financial education and financial satisfaction (Xiao &Porto, 2017). Further, Financial satisfaction is accounted for by income level (Toacano et al. 2006). That means the relationship between financial capability and financial satisfaction is strong in societies; a higher income level can achieve higher financial satisfaction and vice versa.

Falahati et al. (2012) studied the assessment of a model of financial satisfaction predictors: examining the mediating effect of financial behavior and financial strain to find out what factors affect the financial satisfaction. The research was conducted by using students in Malaysia as a sample. It was done by distributing the questionnaire to 700 students subjectively. The results showed that financial strain, financial behavior, financial literacy, financial attitude, childhood consumer experiences, primary socialization agents, and secondary socialization affect financial satisfaction.

Unlike the previous, Sadiq et al. (2018) used multiple regression analysis to obtain the impact of individual behavioral biases on financial satisfaction and revealed that overconfidence biases and categorization biases have significant relation with financial satisfaction. That means, mostly individual exaggerate their investment decision making capacity and parting their fund at different groups are more satisfied with their financial situation.

2.7 Ethics and Financial Satisfaction

Sahi (2017) identifies the effect of psychological biases on financial satisfaction of individual investor using the multiple regression analysis as long as the author revealed the social responsible investment biases is not positive association with financial satisfaction. In addition, the investors who had low speculative risk score as well as professionally qualified wouldn't prefer to ethical investment and satisfied with their investment.

However, Wallis and klein (2015) outlined the status quo of all academic literature on the topic of social responsible investment (SRI) vehicle and found that equal performance of SRI funds in comparison to conventional investments or furthermore the significant association between the SRI implemented firm and their financial performance . Thus, almost all SRI implemented firms pleased with their financial condition and perceived positively towards sustainable visions investors. In a similar manner, Renneboog et al. (2008) revealed that risk adjustment returns of SRI funds and conventional funds were not statistically different in France, Japan, Sweden as well as SRI fund would underperform due to smart money effect not by the application of ethical style factor. In addition, several author (Keller and Siegrist (2006), Webley et al. (2001), Williams (2007) defined that ethical dimensions is crucial for investor investment decisions as well as they prefer to investment for social responsible companies even though their estimated gains are lower than others .Similarly, Jones et al., (2008) showed that socially related fund considered the lower return than market . On the behalf of ethical concerned, social responsible investors were ready to sacrifices their financial dimensions for social return (Pasewark & Riley, 2010).In addition the author questioned the students about their investment preferences either in tobacco company or non-tobacco company along with varied fixed interest rate of 10, 000 US dollars . Most of the student make an investment in sustainable bond (i.e. non- tobacco firm) even they get lower return. Therefore personal value influences the investment decisions criteria. All of the above studies, Keller and Siegrist (2006); Webly et al. (2001); Pasework & Rilay (2010), made economic experiment to declare how SRI and ordinary investors make investment decisions differently and Satisfied as per the investment

As per the experiment of experienced Professionals, Arnold et al. (2017) analyzed how investment professional evaluate the firm based on timing of CSR disclosure and figured out that investors weighted higher to those firm which CSR information is integrated with financial information but in case of stand-alone –report of CSR disclosure may lead to asymmetric anchoring. Hence, due to simultaneous and integrated timing of CSR disclosure and financial information valued the firm higher and secured the investors judgment from being anchored.

2.8 Research Gap and Theoretical Framework

2.8.1 Research Gap

Evident from previous literature it can be established that investor’s ethics and their behavior can influence their financial satisfaction. Also, there exists a mediating effect of investor behavior on the linkage between investor ethics and financial satisfaction.

One of the sub-disciplines of investment behavior, i.e. ethical behavior reported that ethics is a key determinant of human behavior and performance. However, the past studies in Nepalese literature on the investor’s ethics influencing the financial satisfaction are null. There are no such studies published by connecting the behavioral factor like investor ethics to capital market. Further, study about mediation effect of investor’s behavior is very few in behavioral finance literature.

Hence, the study deals with the following issues in context of people in Kathmandu:

- Is there influence of investor’s ethics and investor’s behavior of capital market investors on their financial satisfaction?
- Can investor‘s behavior mediate effect of investor’s ethics of capital market investors on their financial satisfaction?

2.8.2 Theoretical Framework

In this study a conceptual framework is developed by taking insights from another behavioral discipline: investor’s ethics, to explain reasons for the variations in financial satisfaction of capital market investor of Kathmandu. The study is based upon the theoretical model adopted by Parmitasari et. al(2018) who investigated the effects of ethics of individual investors on financial satisfaction.

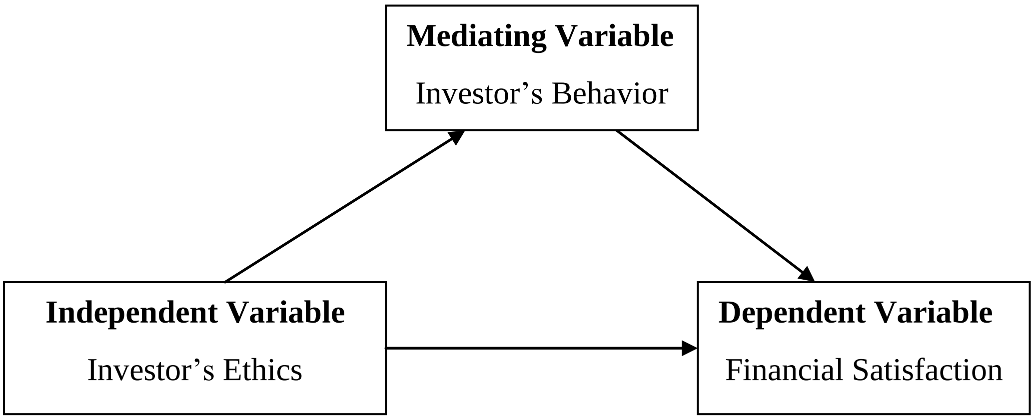

Figure 2.1: Theoretical Framework

1) Independent Variable (Investor's Ethics)

Ethical behavior is an action that confirms to a substantive normal standard (Schwartz, 2003). In similar manner, Ethics become specified concern for making a capital investment. Therefore, investors begin to invest their save amount by ensuring that investments are in harmony with ethics. To confirming the investment companies, investors have categorized the selection process by using moral criteria and environmentally friendly (Wilson, 1997). Meanwhile, Pettijohnet.al (2008) argued that individuals will behave according to what is believed to be true or what is called ethics for individual investors.

2) Dependent Variable (Financial Satisfaction)

Financial satisfaction is defined as specified measure of financial wellbeing which associated with financial capability. In addition, financial education contributes to financial capabilities factors and then these financial capability factors contribute to financial satisfaction (Xiao et al., 2014). Further, Financial satisfaction can be determined by several factors, including demographics (income, education, ethnic), financial stress, financial knowledge and financial behavior.

3) Mediating Variable (Investor's Behavior)

Investor considered the safety while choosing the investment avenues (Bhusan, 2014). In a contrary, Sultana and Pardhasaradhi (2012) found that investor preferred investment with capital appreciation. So, individual investment decision differs from their individual preference.

CHAPTER III

RESEARCH METHODS

This chapter outlines the research methods used in the study including the research design, population and sample size, details of data collection, nature and sources of data and statistical tools and models employed to generate results.

3.1 Research Design

The study was based on descriptive research design to analyze the impact of investor's ethics on financial satisfaction of investors and to examine the influence of investor behavior on relationship between the investor ethics and their financial satisfaction in Nepalese stock market. Relevant data and information required for the study were collected, evaluated and analyzed systematically to arrive at a conclusion, during the study period.

3.2 Population and Sample

The population for this study is all the investors of Kathmandu valley that trade in the Nepal Stock Exchange, consisting of both those who use online trading and don't use online trading. In reference to this, the study comprises the capital market investors as in those who are engaged in trading activities and have age of 21 and above. In the absence of a central list of all capital market investors, the population size cannot be determined for total investors in Kathmandu. Thus, sample size is determined with the help of a formula developed by Cochran.

Cochran (1977) developed a formula for calculating sample size when the population is infinite and its degree of variability is not known. Assuming the maximum variability, which is equal to 50 %(p =0.5) and taking 95% confidence level with ± 5% precision , the calculation for required sample size yielded 384, which was considered adequate in this study too. The calculation for the sample size is shown below:

P = 0.5 and hence q = 1-0.5 =0.5: e = 0.05; z =1.96

$$n = \frac{(1.96)^2(0.5)(0.5)}{(0.5)^2} = 384.16 = 384$$

Thus, a survey was conducted individuals who are trade in Kathmandu valley (n=384) to collect the primary data. The sampling method adopted was convenience sampling. It is called convenient sampling as the researcher selects the sample elements according to their convenient accessibility and proximity. It is a non- probability sampling method and is the most applicable and widely used method in research. In this method, the investigators enroll subjects according to their availability and accessibility. Therefore, this method is quick, inexpensive, and convenient (Elfil & Negida, 2016).

3.3 Nature and Source of Data

Primary data was used for the study. Primary data was collected through survey method using structured questionnaire which was distributed among respondents through online means. The questionnaire was divided into three sections. First sections of the questionnaire were for demographic profiling of samples which includes: gender, age of the respondents, marital status, monthly income, educational background, occupation. The second section consisted of questions related to mediating variables (investor behavior) like: defined investment portfolios, stock preferences area, confidentiality, investment knowledge, segregate the preferences companies, risk preferences and rationality for investment. The last section confined the questions related to dependent and independent variables. That is ethical preferences for investment decision and financial satisfaction regarding the various investment objectives.

3.4 Instruments

The study was based on survey method to collect data. Each questionnaire was divided into three sections.

For demographic profiling, first section of questionnaire included of various socio-economic characteristics of investors’ such as gender, age of respondents, marital status, monthly and income, and educational background, occupation. Gender was measured and coded as male = 1 and female = 2. Age was measured in years using three categories: 1 = 21 to 25 years, 2 = 26 to 30 years, and 3 = 31 to 35 years. Marital status coded as unmarried =1, married = 2, widow = 3, divorced =4. Monthly income group included of 5 categories: 1= below Rs. 20000, 2= Rs. 20001 to Rs. 30000, 3=

Rs. 30001 to 40000, 4= 40001 to 50000, 5 = Rs. above 50000. Education level was measured using five categories: 1= below SLC, 2= SLC, 3= plus two, 4= Bachelors level, 5= Master's degree and above. The last item Occupation included of 5 categories: 1= student, 2 = private job holder, 3= public job holder, 4= entrepreneur, 5 = others.

The second section consisted of investor's ethics which falls under the issue of contingent model. The measuring items of investor ethic in this study were adapted from (Sahi, 2017). However, reverse scored questions were eliminated and only 3 statements were selected so that respondent found it easy to understand the question and were not bothered by series of questions. Each statement of the investor's ethics were measured using five-point likert scale (1 = "strongly disagree", 2 = "disagree", 3 = "neutral", 4 = "agree", and 5 = "strongly agree'').

The third section of questionnaire consists of elements of financial behavior: investor behavior and subjective well – being theory: financial satisfaction. The constructs were adapted as per study of Thapa (2012) and Dare et al. (2021) . Thus, mediating variable investor behavior was measured with statements like : " I am confident enough while selecting the stock", " I have adequate knowledge about the stock market", " I am increasing my investment in stock market currently ", " I take the advice while trading shares", " I make my investment for making money quickly", " I invest in company that has stable return" , " I prefer to take risk" , and " Majority of my investment decision are driven by emotion rather than rational analysis" . Each statement under investor behavior was measured using five-point Likert scaler for response, in which 1 indicates "strongly disagree" and 5 indicates "strongly agree". Similarly, to measure the dependent variable: financial satisfaction, one item was used which included "how satisfied are you with your overall financial circumstances". Each statement under financial satisfaction was measured using five-point Likert scale for response, in which 1 indicates "strongly dissatisfied" and 5 indicates "strongly satisfied".

3.5 Data Analysis Tools / Models

The study analyzed and interpreted the obtained data using Process macro of Hayes (2013), statistical package for Social Science Version (SPSS 21), and Microsoft

Excel. This study adopted the conceptual model developed by Parmitasari et al. (2018), which incorporated the behavioral finance literatures, insights from different learning literatures and the empirical evidence. The major purpose of this model was to explain the investment ethics influenced the financial satisfaction with investor behavior as intervening relation.

3.5.1 Test of Questionnaire

It is important to test the reliability of the questionnaire to scrutinize its relevance for the study. The quality of the questionnaire can be increased by doing pre-testing based on Cronbach's alpha value. It helps to confirm that the questionnaire is reliable for further analysis. For the analysis, 50 responses were taken as sample for the pilot survey. As per the result, Cronbach's Alpha based on standardized item value was 0.88 for the overall questionnaire except one financial satisfaction's questionnaire, which shows high reliability of the pre-testing questionnaire, which shows high reliability of the pre-testing questionnaire.

3.5.2 Test of Sample Data

The one sample t- test has been used to see whether the sample data collected can represent the population data or not. If the sig. (2-tailed) value of the one sample t-test is less than the value 0.05, the hypothesis is accepted (i.e. the sample is exactly like the population). The test shows that all the values are less than 0.05, representing the fact that the collected data sample is exactly the population.

3.5.3 Descriptive Statistics

Descriptive statistics describes the data collected using various tools that simplify the interpretation of the results obtained. It includes the distribution, central tendency and dispersion. The distribution is a summary of the frequency of individual values or ranges of values for a variable. As the descriptive analysis tools the frequency has been used to describe the demographic variables of the respondents. Percentage analysis has also been adopted to analyze the data.

3.5.4 Reliability and Validity

The reliability of the questions is assessed using cronbach's Alpha, which allows the researchers to estimate the reliability of participants' responses to the measurement. As Cronbach's Alpha calculated the average of all split-half reliability coefficients, it can totally answer the question of internal reliability that whether or not the indicators that make up the scale or index are consistent. Cronbach's Alpha values are described as excellent (0.93-0.94), strong (0.91-0.93), relatively high (0.70-0.77), not satisfactory (0.4-0.55) and low i.e. 0.11(Taber, 2018). The value of Cronbach's Alpha is 0.849 and 0.851 which is higher than 0.70. Thus, the reliability of the measure is higher for this study. The issues regarding the validity and reliability of the questionnaire may arise. For the validity, the questionnaire was adopted from Sahi (2017), Thapa (2012), and Dare et al. (2021) and was contextualized in the Nepali market scenario.

3.5.5 Correlation

Pearson correlation model has been used to test the magnitude and direction of the relation among the investor's ethics, investor's behavior on financial satisfaction.

3.5.6 Regression Analysis

In order to confirm the hypothesis, regression analysis has been used. Here, simple linear regression has been used to analyze the influence investor's ethics on investor's behavior and financial satisfaction. Investor's ethics has independently been used in a regression model to test their relationship with the dependent variable.

In order to test hypotheses, mediation analysis based on the proposed model of Baron and Kenny (1986) is used. This helped to determine path coefficient, t-values and p-values and find out effect. Mediation analysis assesses the presence of a mediating effect and describes the entire structure of cause and effect linkages of all paths. Figure 2 has shown Baron and Kenny (1986) mediation effect using the four steps process adopted by Nandan and Saurabh (2000):

- **Step 1-Path c**: Independent Variable (IV) as predictor and the Dependent Variable (DV) as the outcome variable – this step establish that there is a significant effect that may be mediated.

- **Step 2-Path a**: This confirms the significance of the relationship between the IV and the Mediating Variable (MeV) – mediator is outcome variable.
- **Step 3- Path b**: It shows that the MeV affects the outcome variable (DV). This study assumed that there are significant relationships from Steps 1 to 3, and we can make an assumption that Step4 or mediation effect is possible.
- **Step 4-Path c'**: MeV and IV are used simultaneously to predict the DV where MeV completely mediates the IV–DV relationship.

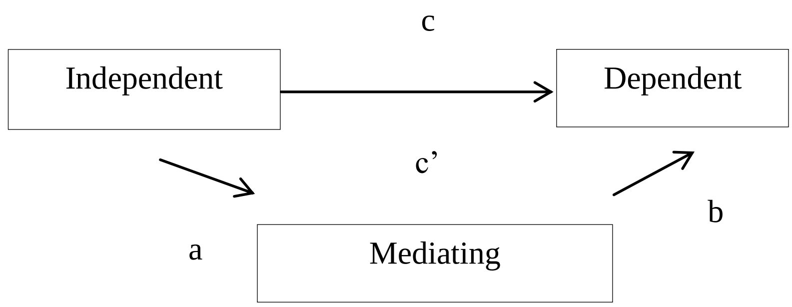

Figure 3.1: Mediation Model by Baron and Kenny (1986)

3.5.7 Model

As per the mediation model as developed by Baron and Kenny (1986), independent variable X is assumed to cause the mediator M, which, in turn, causes dependent variable Y, where the effect of X on M, and of M on Y also accounted for the influence of X on y either partially or completely.

Model I

Model I depicts a causal model. It explains the impact of investor's ethics on investor's behavior (H1), impact of investor's behavior on financial satisfaction (H2), and indirect effect of investor's ethics on financial satisfaction through investor's behavior (H3). In order to examine the regression analyses and significance of the coefficient, the study followed the casual steps for testing mediation proposed by Baron and Kenny (1986). The following regression was carried out to detect the mediation effect.

Step 1 (Path c). Simple regression analysis, where independent variables(X) predict the dependent variable(Y) to test the significance of the effect that may be mediated.

$$FS = \beta 0 + \beta 1\ IE + \varepsilon$$

Where,

FS = Financial satisfaction occurred after ethics

βO = Estimated intercept

β1 = Regression coefficient for IE

ε = Standard error

Step 2 (Path a).

Simple regression analysis, where independent variables (IE) predict the mediating variable (IB) to test the significance of the relationship between X and M.

$$IB = \beta 0 + \beta 1\ IE + \varepsilon$$

Where,

IB = Investor Behavior

β0 = Estimated intercept

β1 = Regression coefficient for IE

ε = Standard error

Step 3 (Path b).

Simple regression analysis with mediating variable (IB) predicting outcome variable (FS) to test the significance of the proposed relationship between M and Y.

$$FS = \beta 0 + \beta 1\ IB + \varepsilon$$

Where,

FS = Financial Satisfaction

β0 = Estimated intercept

β1 = Regression coefficient for IB

ε = Standard error

Step 4 (path c').

Multiple regression analysis with the predictor variable (IE) and mediating variable (MeV) predicting outcome variable (FS).

$$FS = \beta 0 + \beta 1\ IE + \beta 2\ IB + \varepsilon$$

Where,

FS = Financial satisfaction

β 0 = Estimated intercept

$\beta 1$ = Regression coefficient for IE

$\beta 2$ = Regression coefficient for IB

ε = Standard error

Note: The estimated intercept for all the regression coefficient equation indicates the value of the outcome variable, when the value of the predictor variable is equal to zero.

Table 3. 1

Details about construct

Construct	Items	Scale	Source of the items
Investor's Ethics	3	Likert-type scale	Sahi (2017)
Investor's Behavior	8	Likert-type scale	Thapa(2012)
Financial Satisfaction	1	Likert-type scale	Dare et al. (2021)

CHAPTER IV

ANALYSIS AND RESULTS

This chapter presents the analysis of data and interpretation of results of the study. The data collected were analyzed and presented in tabular as well as graphical form. It included the demographic profile of respondents, reliability statistics, correlation, as well as path analyses and their interpretations. It further intends to answer the research questions, fulfill the objectives and test the hypotheses.

4.1 Demographic profile of respondents

Table 4. 1

Socio-demographic profile

Demographic Variable	Frequency	Percentage (%)
Gender		
Male	200	51.8
Female	184	47.7
Age		
21 to 25 year	122	31.6
26 to 30 year	135	35
31 to 35 year	127	32.9
Marital Status		
Unmarried	177	45.9
Married	175	45.3
Widowed	3	0.8
Divorced	29	7.5
Monthly Income		
Below Rs 20000	70	18.1
20001 to 30000	59	15.3
30001 to 40000	68	17.6
40001 to 50000	86	22.3
Above 50000	101	26.2
Educational Background		
Below SLC	5	1.3
SLC	2	0.5
Plus two	9	2.3
Bachelor degree	130	33.7
Master degree and above	238	61.7
Occupation		
Student	74	19.2
Private job holder	133	34.5
Public job holder	95	24.6
Entrepreneur	69	17.9
Other	13	3.4

Table 4.1 provides the respondent's demographic profile of capital market investors in Kathmandu. According to it, majority (51.8 %) of the respondents were male. Out of 384 respondents, about 35 % were in the age group of 26 to 30 years old ranked 2^{nd} by those in age range of 31 to 35 years old and remaining in age group of 21 to 25 and above. Likewise, out of total respondents, 45.9 %were unmarried, 45.3 % married, 0.8% widowed and remaining were divorced. Furthermore majority (26.2%) earned in income of above Rs. 50000. Also majority (61.7 %) of respondent were studying in master and above and about 34.5 % out of 384 respondents were employees in private sector followed by about 24.6 % employed in public sector , about 19.2 % were students , about 17.9 % were entrepreneur and remaining from other.

4.2 Reliability and Validity of constructs

The reliability and validity of ethics of investor's construct was tested by computing Cronbach's alpha. In this study, Cronbach's alpha is calculated to measure the reliability of the item scale i.e. investor's ethics. Generally, a coefficient of at least 0.70 conform the homogeneity of the items and indicates that the reliability of data is accepted and good among the scale.

Table 4.2

Reliability test

Variables	No. of Items	Cronbach's Alpha
Investor's Ethics	3	0.849
Investor's Behavior	8	0.851

Table 4.2 illustrates the reliability statistics. The standardized values were computed to determine the individual score of the variables used. The data presented above show the Cronbach's alpha value for the ethics and behavior constructs used in the study. The Cronbach's alpha for investor's ethics and investor's behavior are 0.849 and 0.851 as shown above which indicates an acceptable degree of reliability.

4.3 Correlation Matrix

The following table represents the correlation matrix of the independent, mediating and dependent variables.

Table 4. 3

Correlation matrix

	FS	IE	IB
IB	.561**	.735**	1

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

Table 4.3 exhibits the correlation matrix among the investor's ethics, investor behavior and financial satisfaction. The correlation is significant at the 0.01 level (2-tailed). IB represents financial satisfaction, investor's ethics and investor's behavior respectively.

4.4 One Sample t-test of the Variables

Before conducting any type of the statistical analysis, it would be better to check whether the sample collected is normally distributed or not. For this one sample t-test has been conducted. The summary of the result is presented in the table below.

In the table 4.4 we can observe that all the test values represented by Sig. (2-tailed) are less than 0.05 and thus it can be concluded that the sample exactly represents the population data. And hence, the data are fine to take for the further analysis.

Table 4. 4

One Sample t-test

	t-value	Sig. (2-tailed)	Mean Difference
B_1	78.977	.000	3.862
B_2	94.737	.000	3.898
B_3	96.811	.000	4.029
B_4	84.291	.000	3.924
B_5	84.502	.000	3.820
B_6	89.559	.000	3.997
B_7	77.310	.000	3.760
B_8	67.474	.000	3.763
E_1	86.222	.000	3.953
E_2	85.500	.000	3.943
E_3	92.938	.000	3.964
FS	87.833	.000	3.888

Significant at the 0.05 level (2-tailed). B, E, FS represent investor's behavior, investor's ethics and financial satisfaction respectively.

4.5 Hypothesis Testing

4.5.1 Linear Regression Equation And Single Mediator Model

In single mediator model, an antecedent variable affects a mediator variable and the mediator variable affects a dependent variable, thus forming a chain of relations among the three variables (Baron & Kenny, 1986).

1. Variables X and Y must be related, this is, coefficient c must be different to zero in the expected direction. This condition is verified using a linear regression analysis of Y over X:

   $Y= \alpha 1 + c X+ e1$……………………………….……….. (1)

2. Variables X and M must be related, this is, coefficient a from Figure 1 which must be different to zero. This condition is verified using a linear regression analysis of M over X:

   $M= \alpha 3 + a X+ e3$…………………………………………...(2)

3. Variables M and Y must be related once the effect of X is controlled, this is, coefficient b from Figure 1 must be different to zero. This condition is verified using a linear regression analysis of Y over X and M:

$$Y = \alpha 2 + c' X + b M + e2 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

4. The relationship between X and Y must be significantly reduced when controlling the effect of M. This means, coefficient c' (direct effect) must be smaller than coefficient c (total effect).

Where,

Y=dependent variable,

X = independent variable,

M = mediating variable.

Coefficient c represents how strongly X predicts Y;

Coefficient a represents the strength of the relationship between X and M;

Coefficient b represents the strength of the relation between M and Y with the strength of the X-to-Y relation removed;

Coefficient c' represents the strength of prediction of Y from X, with the strength of the M-to-Y relation removed;

The intercepts in each equation representing the average score of each variable, are $\alpha 1$ and i $\alpha 2$ and $\alpha 3$, respectively; and e1, e2, and e3 represent the error, or the part of the relation that cannot be predicted.

In the study, hypothesis 1 is tested by forming regression equation 1, hypothesis 2 is tested by forming regression equation 2, and for hypothesis 3 is tested by forming equation 3. For mediation analysis as per hypothesis 4, step 4 is conducted.

4.5.2 Step-1: Effect of Investor's Ethics on Financial Satisfaction (Path C)

Hypothesis 1 stated that investor's ethics have positive effect on financial satisfaction. Thus, following linear regression analysis is conducted in the mediation analysis.

Table 4. 5

Effect of investor's ethics on financial satisfaction

Antecedents	Beta (β)	SE	t-value	p-value
Constant	1.646*	0.200	8.212	.000
Investor's Ethics (IE)	0.567*	0.050	11.401	.000

*Significance at the 0.05 level (2-tailed)

The test conducted in table 4.5 shows that H1 is accepted at 5% significance level (β=0.567, p = 0.00 < 0.05). Thus, it can be said that investor's ethics have positive effect on investor's behavior which is also consistent with the results of correlation coefficient conducted before.

4.5.3 Step-2: Effect of Investor's Ethics on Investor's Behavior (path a)

Hypotheses 2 stated that investor's ethics have positive effect on investor's behavior Table 4.6 reveals path a for investor's ethics as an independent variable and investor's behavior as the dependent variable. The values are extracted from linear regression analysis conducted in step-2 of mediation analysis

Table 4. 6

Effect Of Investor's Ethics On Investor's Behavior

Antecedents	Beta (β)	SE	t-value	p-value
Constant	1.4942*	O.1148	13.0183	0.0000
Investor's Ethics (IE)	0.6040*	0.0285	21.1919	0.0000

*Significance at the 0.05 level (2-tailed)

The test conducted shows that H2 is accepted at 5% significance level (β=0.6040, p = 0.00 < 0.05). Thus, it can be said that investor's ethics have positive effect on investor's behavior which is also consistent with the results of correlation coefficient conducted before.

4.5.4 Step-3: Effect of investor's behavior on financial satisfaction, controlling for investor's ethics (path b)

In step 3, the casual variable i.e. investor ethics must be controlled in establishing the effect of the mediator variable 1.e. investor's behavior on the outcome variable financial satisfaction. Similarly, Table 4.6 reveals path b which is used to test hypotheses 3 which states that investor's behavior have effect on financial satisfaction in Investor's ethics path. The values are extracted from linear regression analysis conducted in step-3 of mediation analysis

Table 4. 7

Path for effect of investor's behavior on financial satisfaction, controlling for investor's ethics

Antecedents	Beta (β)	SE	t-value	p-value
Constant	0.7954*	0.2279	3.4900	0.0005
Me in Investor's Ethics (IE)	0.5689*	0.0846	6.7287	0.0000

*Significant at the 0.05 level (2-tailed). MeV represent Mediating variable

For H3, path b of model 1 shows that investor's behavior has significant and positive effect on financial satisfaction in Investor's ethics path (β=0.5689, p = 0.000 < 0.05) and thus it is accepted at 5% significance level which is consistent with the results of correlation c

4.5.5 Mediation effect Analysis

Mediating variables continue to play an important role in Behavioral finance theory specifically in social psychology. According to MacKinnon & Fairchild (2009), a mediating variable transmits the effect of an antecedent/independent variable on to a dependent variable, thereby providing more detailed understanding of relations among variables.

Mediation analysis was tested using "Model 4" in Process Macros as shown in Table 4.7. Investor 's behavior as mediator was entered into the Process Macro and 5,000 bias-corrected bootstrap samples and 95 percent confidence intervals were used in the model (Preacher & Hayes, 2008).

Table 4.8

Mediation regression Analysis

	Coefficient	SE	t-value	p-value
Path c				
Investor's Ethics	0.5670*	0.0500	11.4010	.0000*
Path a				
Investor's Ethics	0.6040*	0.0285	21.1919	0.0000*
Path b				
MeV in Investor's Ethics path	0.5689*	0.0846	6.7287	0.0000*
Path c'				
Investor's Ethics	0.2236*	0.0695	3.2191	0.0014*

*Significance at the 0.05 level (2-tailed). MeV represents mediating variable

The above table represents the summary of simple linear regression conducted under the mediation regression model. The table indicates the order wise step taken to ascertain whether mediation effect occurs or not. As per the result of previous hypothesis testing, first 3 steps as suggested by Baron and Kenny have been fulfilled. In the first 3 steps, step-1 as indicated by path c, effect of investor's ethics on financial satisfaction was determined, in step-2, as indicated by path a, effect of investor's ethics on Investor's behavior was determined, and lastly in step-3, as indicated by path b, effect of Investor's behavior on financial satisfaction, controlling for investor's ethics was determined. In these 3 steps, variable shows significant positive effect as indicated by result of hypothesis testing of H1 to H3. For mediation analysis, further, step-4 must be conducted.

4.5.6 Step 4-Effect of investor's ethics on financial satisfaction, controlling for investor's behavior (path c')

In order to determine if mediation exists, firstly, the significance of c′ is determined to further meet condition for mediation effect.

Path c' of table 4.8 shows that investor's ethics has significant effect on financial satisfaction, assuming for investor's behavior is constant (β=0.2236, $p = 0.000 < 0.05$).

Now, the observed values of c and c′ are compared and If c′ is smaller than c, the data are consistent with mediation. In most situations, ab = c – c', where the total effect of IV and DV known as Path c can be decomposed into a direct component of Path c' and an indirect component of Path ab (Sobel, 1982).

For this study, indirect effect was extracted from mediation analysis as done in SPSS with help of PROCESS. The indirect effect is detailed below:

Table 4. 9

Indirect effect

Variables	Indirect effect	Boot SE	Boot LLCI	Boot ULCI
Investor's Ethics (IE)	0.3436*	0.0602	0.2257	0.4624

*Significance at the 0.05 level(2-tailed)

The significance of the indirect effect can be determined by examining the lower and upper bounds of the 95 per cent confidence intervals. Indirect effect is statistically significant because zero does not occur between the lower limit confidence interval (LLCI) and the upper limit confidence interval (ULCI). Therefore, as per table 4.8, it can be concluded that the indirect effect for investor's behavior as mediator is significant at a 95 per cent confidence interval as it does not include zero.

If c′ is smaller than c but significantly different from zero, the data are consistent with partial mediation. (Gelfand, Mensinger & Tenhave, 2009). Also, when the effects of the mediator are controlled, the direct effect of the independent variable on the dependent variable is zero, indicating total mediation is occurring, or significantly reduced, indicating partial mediation (Baron & Kenny, 1986).

Thus as per table 4.5 and table 4.8, H4 is accepted as investor's behavior partially mediates effect of investor's ethics on financial satisfaction ($p=0.00<0.05$, $c'<c$).

4.6 Summary of Hypothesis Testing

Table 4. 10

Summary of Hypothesis Testing

Hypothesis		Results
H1:	Investor’s ethics has positive effect on financial satisfaction.	Accepted
H2:	Investor’s ethics has positive effect on investor behavior	Accepted
H3:	Investor’s behavior has positive effect on financial satisfaction in Investor’s ethical paths.	Accepted
H4:	Investor’s behavior partially mediates effect of Investor’s ethics and financial satisfaction.	Accepted

Significant at the 0.05 level (2-tailed)

CHAPTER V

DISCUSSION, CONCLUSION AND IMPLICATIONS

This chapter presents the discussion of findings, conclusion and implications that are drawn from the study. This chapter has been divided into three segments. The first segment deals with discussion which involves comparison of the findings with different related literatures. Similarly, the conclusion is drawn in second segment from result obtained from data analysis where third segment deals with theoretical and practical implications.

5.1 Discussion

The basic objective of the study is to examine the influence of investor's ethics on financial satisfaction of investors of capital market. A number of formulated hypotheses were tested to examine the influence as a result of which different findings has been observed. Result showed that investor's ethics have positive and significant influence on investment behavior and on financial satisfaction of the individuals. Similarly, mediating effect of investor's behavior on the relationship between explanatory and dependent variable showed that investor's behavior mediates the influence of investor's ethics on financial satisfaction.

Supporting the corresponding hypothesis, the result revealed that ethics in investing has significant positive impact on investor behavior. The result indicates that investors are concern about ethics in decision making in behaving in capital market. The finding is parallel with the findings of Kim and Rasiah (2011). Parmitasari et al. (2018) states that the positive influence of ethics on investment on investor's behavior conclude that ethics can be a driving factor in behavior of capital market investors in South Sulawesi. The finding is consistent with Hussein (2004) which stated that investors with ethics of investment will choose an investment that is consistent with value embraced.

Referring the results of respondents, the study empirically observed that investor's behavior has significant positive impact on financial satisfaction indicating investor behavior is a good predictor of capital market investor's in Kathmandu valley. The result is consistent with the result of Parmitasari et al. (2018) which showed that increase in financial satisfaction of capital market is influenced by an increase in investment behavior. The study of Robb and Woodyard (2011) also showed that individual have a role in determining financial satisfaction of the financial behavior decided.

Also, the study empirically observed that ethic in investing has a significant positive impact on financial satisfaction of investors of capital market. The result is parallel with the findings of Parmitasari et al. (2018) which state that ethics is a good predictor of financial satisfaction of capital market investors in South Sulawesi. The result is consistent with the result of Roman (2003) which concludes that ethical behavior of salesperson leads to higher customer satisfaction.

Supporting the corresponding hypothesis, the study empirically found significant positive influence of ethics in investing on financial satisfaction through investor behavior. The direct contribution of ethics in investing to positive investor behavior showed that ethics in investing is a good predictor of behavior of investor of capital market. Meanwhile, investor behavior showed positive significant impact on financial satisfaction. Based on this explanation, ethics on investing can influence financial satisfaction positively through investor behavior. The result is consistent with the findings of Parmitasari et al. (2018) which showed that ethics influence financial satisfaction through investor behavior where behavior influence the understanding and ethical awareness by investors so that investors will behave in accordance with the ethics that are believed and it will influence the financial satisfaction as the end result of investor behavior.

5.2 Conclusion

The purpose of this study was to examine the influence of investor's ethics on financial satisfaction of capital market investors of Kathmandu valley. Also, it examined the mediating effect of investor's behavior on influence of investor's ethics on financial satisfaction.

The study showed that explanatory variable i.e. investor's ethics have a positive and significant impact on investor behavior and as well on financial satisfaction. Also, it was found that investor's behavior has a positive significant impact on financial satisfaction. Also, the mediating effect of investor's behavior was examined on the influence of investor’s ethics on financial satisfaction. Like the expectation, investor’s ethics has a significant influence through the investor’s behavior. This indicates that ethics will influence individuals to behave accordance to it and thus will have satisfaction to behave in harmony. Thus, all the empirical results are validated and the research objectives are somewhat fulfilled.

5.3 Implications

The study has both the theoretical and practical implications. From the theoretical perspective, the review of literatures, findings and discussion contributes scholars to gain more insights regarding influence of investor’s ethics on financial satisfaction. Also, the study helps future researchers to explore gap on identifying the influence of investor’s ethics and behavior on financial satisfaction on a comparative study based on the gender, age and residence. Therefore, the study contributes to the literature of behavioral finance in the context of Nepal.

The study has also practical implications for policy holders. First, the result showed that ethics have a positive significant impact on investment behavior and financial satisfaction. It implies that investors tend to invest on the organization that regulates under ethical criterion and performs corporate social responsibility work. Thus, the organization and financial intermediates need to emphasize and perform remaining under ethical practices and norms. This will help direct the behavior of individuals toward it and enhance their satisfaction level.

Second, the study found that the ethics has a significant influence on financial satisfaction through the investor’s behavior. It implies that existence of an understanding and ethical awareness by individual will direct the behavior of individual and behave in accordance with the ethics that are believed and it has an impact on financial satisfaction as the end result of investor behavior. Therefore, the consultants, policy makers and marketers need to consider it while providing information to their customers or investors regarding financial products.

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Appendix

Questionnaire

Dear Sir/Madam,

I am Sushma Khadka, currently studying MBA at School of Management Tribhuvan

University. I am conducting my graduate research project on "**Influence of Investor's Ethics and Behavior on Financial Satisfaction of Capital Market Investors of Kathmandu".** So, I request you to fill up this questionnaire and help me collect the response. The information will be kept confidential and used only for academic purpose. Thank You!

Section I - Socio-demographic Profile of Respondents

	No. of Response
Gender	
Male	200
Female	184
Age	
21 to 25 year	122
26 to 30 year	135
31 to 35 year	127
Marital Status	
Unmarried	177
Married	175
Widowed	3
Divorced	29
Monthly Income	
Below Rs 20000	70
20001 to 30000	59
30001 to 40000	68
40001 to 50000	86
Above 50000	101

Educational Background	
Below SLC	5
SLC	2
Plus two	9
Bachelor degree	130
Master degree and above	238
Occupation	
Student	74
Private job holder	133
Public job holder	95
Entrepreneur	69
Other	13

Section II- Investor's Ethics

1. Please express the level of agreement/ disagreement with the following.

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Companies that follows the ethical practices attracts me more (e.g. : Honesty, integrity and fairness with dealings with the stakeholders)	3	35	41	203	102
Companies that are founded on a system of corporate values turn out to be good investments (e.g. : concern for environment, customer satisfaction, quality improvement and integrity)	8	29	33	221	93
I would invest in companies that have ongoing corporate social responsibility activities (e.g.: participation in social upliftment, community development, and sustainable development)	2	32	33	228	89

Section III -Investor's Behavior

8. Please express your level of agreement / disagreement with the following statement regarding the Nepalese share market.

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
I am confident enough while selecting the stock.	4	51	29	210	90
I have adequate knowledge about the stock market.	1	26	62	217	78
I am increasing my investment in stock market currently.	4	21	35	224	100
I take the advice while trading shares.	3	43	28	216	94
I make my investment for making money quickly.	2	47	38	228	69
I invest in company that has stable return.	1	37	30	210	106
I prefer to take risk	2	58	45	204	75
Majority of my investment decision are driven by emotion rather than rational analysis.	12	57	42	172	101

Section IV - Financial Satisfaction

8. Please indicate to what extent you feel about the following.

Statement	Strongly Dissatisfied (1)	Dissatisfied (2)	Neutral (3)	Satisfied (4)	Strongly Satisfied (5)
How satisfied are you with your overall financial circumstances?	6	29	45	226	78