FACTORS INFLUENCING INVESTMENT DECISIONS

A Study of Nepalese Investors' Perspectives

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Prerana Bajracharya

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DECLARATION

I hereby declare that the work reported in this thesis entitled FACTORS INFLUENCING INVESTMENT DECISIONS: A Study of Nepalese Investors' Perspectives submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Master of Business Studies (MBS) under the supervision of **Mr. Rajan Bilas Bajracharya,** to the best of my knowledge and belief.

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RECOMMENDATION

This is to certify that the Thesis

Submitted by:

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Entitled:

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

....	....	....
Rajan Bilas Bajracharya	Nirmal Mani Panthi	Nirmal Mani Panthi
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VIVA- VOCE SHEET

We have conducted the viva-voce of the thesis presented

By

Prerana Bajracharya

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for the

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<u>Viva- Voce Committee</u>

Head, Research Department ....

Member (Thesis Supervisor) ....

Member (External Expert) ....

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ABBREVIATIONS

ANOVA	:	Analysis of variance
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
SEBON	:	Securities Board of Nepal
SPSS	:	Statistical Package for Social Sciences

CHAPTER I

INTRODUCTION

1.1. General Background of the Study

Financial market is a means through which institutional and individual investors are provided with wide range of financial products by which they can facilitate their funds in various investment options. Investment is considered as a rational decision process where investors try to maximize their future gains by sacrificing at present. A rational investor will always try to maximize their future returns based on expected risks and returns. Many economic theories are based on the conviction that individuals behave in a rational way and make their decisions on existing and prevalent information. But when it comes down to investing, investors are not always rational as we might think they are.

While making investment decisions, investors are faced with a number of factors that influence their investment decision. In this context, behavioral finance has gained attention in recent years and has made efforts in explaining how investors' decisions are influenced by human emotions and psychology that lead investors to behave in irrational ways.

Behavioral finance has defined by different authors in different ways and some of the popular definitions have been cited below.

Behavioral finance has been defined as "a rapidly growing area that deals with the influence of psychology on the behavior of financial practitioners" (Shleifer,1999).

Behavioral finance is a new paradigm of finance, which seeks to supplement the modern theories of finance by introducing behavioral aspects to the decision making process. It focuses on the application of psychological and economic principles for the improvement of financial decision- making. (Olsen, 1998).

Behavioral finance closely combines individual behavior and market phenomena and uses knowledge taken from both the psychological field and financial theory (Fromlet, 2001).

Behavioral finance relaxes the traditional assumptions of financial economics by incorporating these observable, systematic, and very human departures from rationality into standard models of financial markets. The tendency for human beings to be overconfident causes the first bias in investors, and the human desire to avoid regret prompts the second (Barber & Odean, 2001).

Research in behavioral finance has developed rapidly in recent years and provided evidence that investors' financial decisions are also affected by internal and external behavioral factors. Investment decisions are function of several factors such as market characteristics, risk profile of investors and many others. One of the research study conducted examined factors influencing investor behavior suggested that classical wealth maximization criteria are important to investors, even though investors employ diverse criteria when choosing stocks (Nagy & Obenberger,1994).

Many researches have been carried out so far for understanding the factors influencing investment decision of individual investors in developed economies but only few research studies have been made and published in context of Nepal. This study has been carried out with a view to identify and prioritize those factors that motivates investors to invest in stock, determine the general factors that influences investment decision of individual investors, test the relationship between socio-economic characteristics of investors with that of different factors and also determine whether political factors have influence in their decision. The study has been conducted in context of Nepalese investors who are involved and have their investment in Nepal Stock Exchange (NEPSE).

NEPSE was established in 1994 with the objective of imparting free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through members, market intermediaries such as brokers and market makers. Major instruments trading in NEPSE include corporate shares, debentures, government bonds and mutual funds. Securities Board of Nepal (SEBON) is an apex regulator of the securities market in Nepal which facilitates the orderly development of a dynamic and competitive capital market and maintains its credibility, fairness, efficiency, transparency and responsiveness.

There are many players in the security market such as institutional investors, individual investors, brokers, security dealers, market maker, investment banker, underwriter, etc.

Investors in security market search for the best alternative investment that can return a maximum return for their bright future. Due to various features in different types of securities, investors are attracted to make investments. These features include interest coupon, dividends, capital appreciation, ownership right, status, etc.

1.1.1. Historical Background

The history of investing can be traced back to the famous Code of Hammurabi, written around 1700 BCE. That code provided the framework for a lot of civilization's most crucial laws. The law established a way to pledge collateral in exchange for investing in a project. In the Code of Hammurabi, land was required to be pledged as collateral. Anyone who broke their obligation as debtor/creditor was punished. In early 1600 Amsterdam Stock Exchange was established by the Dutch East India Company as the first stock market. The Amsterdam Stock Exchange worked much like other stock exchanges: it connected potential investors with investment opportunities while simultaneously allowing businessmen to connect with willing investors. The market offered liquidity, publicized value, broadcast availability, and lowered transaction costs. In short, it made investing easier and more standardized. Soon after the successful experiment of the Amsterdam Stock Exchange, other stock markets began to appear throughout the rest of Europe. For years, it was accepted as fact that the Amsterdam Stock Exchange was the world's first stock market. However, many historians disagree, stating that stock markets could be found in various forms throughout Europe during the Medieval and Renaissance ages. In Fernand Braudel's 1983 text, "The Wheels of Commerce", for example, he claims that the roots of stock markets could more accurately be traced back to the Mediterranean. Generally speaking, investing is as old as human civilization. However, the stock markets of Medieval, Renaissance, and Enlightenment-era Europe all brought investing to the forefront of civilization in a more organized and standardized way than we had ever seen before.

The First Modern Pension Fund was established in 1759 by the First Presbyterian Church in Philadelphia. The fund was the first modern-style pension fund. Throughout the following centuries, companies and organizations began to realize the value of a good pension fund – including how a pension fund could change the global investment landscape. We owe that system to a church in Philadelphia. Then the Industrial Revolution hit Europe in the mid-18th century. This period had a profound impact on the history of investing. For the first time in history, the general population began to share in economic surplus. People started to have savings from their jobs. This enormous change in history also encouraged the development of the banking industry. Soon after the end of the first industrial revolution, the Second Industrial Revolution took place (1860 to 1914). The First and Second Industrial Revolution were responsible for introducing investing and banking to an enormous portion of the population. Then in1800s, Modern Banking and Investing rose. Some of the world's largest financial institutions and banking firms were developed. Starting in the 1850s, merchant bankers in London and Paris began to finance industrial expansions throughout the United States, leading to successful investment projects like the Transcontinental Railroad.

A decade later, those same financial institutions sold millions of dollars' worth of bonds to help the federal government finance the American Civil War. Banks provided an easy way for investors – including everyone from major backers to individual investors – to back projects like this, regardless of where the projects were taking place around the world. The idea of international investing began to blossom.

Then there was emergence of stock index. Dow Jones Industrial Average and The Standard & Poor index were introduced in this era. Dow averaged the top 12 stocks in the market from a variety of crucial industrial sectors (which consisted at the time of railroads, steel mills, mining companies, etc.). Today, it measures 30 companies from a much wider variety of industries, including companies like DuPont and Coca-Cola. The Standard & Poor index of 90 stocks (narrowed down from the original number of over 200) that acted as a market-weighted average (not price-based like the Dow). The invention of the computer later expanded the Standard & Poor 90 Index from 90 stocks to 500.

The stock market crash of 1929 and the Great Depression permanently changed the course of the world's investing history. Another big change to investing from the Great Depression was the Securities Exchange Act, which established the Securities and Exchange Commission (SEC). Modern investment theory continues to develop between the 1950s and 1990s. Alfred Winslow Jones invented the hedge fund in 1949. Harry Markowitz introduced the world to modern portfolio theory in the 1950s, while Edward Lorenz talked about chaos theory in 1960.

The rise of internet and other modern communication platforms in 1980s have had a profound impact on the history of investing. Starting in 1985, the NASDAQ introduced its own index to compete with the S&P. The NASDAQ grew in popularity throughout the 1980s and 1990s, and all that increased exposure led to investors inflating the tech bubble in the late 1990s – a bubble that eventually burst.

Today, countries around the world have their own stock markets, giving citizens an easy way to invest their money. Meanwhile, international brokers make it easier than ever to invest around the world.

1.2. Statement of the Problem

In traditional finance theory, investors are assumed to be rational and logical who seeks to maximize their wealth by considering expected risk and return factors. But many research conducted have concluded there are various behavioral factors which tend to affect investment decisions when it comes down to investing.

The performance of stock market or stock prices is said to significantly influence the economic conditions of a country. The progress in stock market will positively contribute to the growth and development of the economy and vice-versa. The investors' decision on stock market plays an important role in determining the market trend which affects the economy. It is important to discover which behavioral factors are most influential in investors' decision making and how these factors influence their investment performance.

The study has been conducted to know which factors will have influence while making investment decisions. Many researches have been carried out in understanding investors' behavior in developed economies but there have been very few studies available in underdeveloped countries like Nepal. The stock market in Nepal has grown significantly with the increase in number of companies and investors. Nowadays many investors are seen to be attracted to invest in stock market and the number of investors has been seen to be in increasing number. Because of this, the study has been undertaken to research on investment behavior of investors and the reason behind investors being attracted towards stock market. The study on investors' behavior help in determining the most influential factors that affect their purchase and sale decisions in stock market investment by undertaking this study in investors of Nepal Stock Exchange. The study on investors' behavior is expected to provide justifications for their reactions in investment decisions.

For this study, following research questions have been addressed-

- What are the major factors influencing the individual investors' decision making behavior?

- Do political factors have most influential impact in decision making?

1.3. Objectives of the Study

The main objective of the study is to find out the factors that influence the investment decision of the investors. Some of the other objectives of the study are as follows:

- To test the relationship between socio-economic characteristics and most influential factors affecting investment decision.
- To find out investment behavior pattern of individual investors.

1.4. Significance of the study

This study provides a general view of the influential factors that affect decision making of investors while selecting securities for investment purposes. Many research conducted in this context have shown that investors are not only influenced by analysis techniques but are also influenced and guided by different behavioral and psychological factors. The factors identified can be used in finance models and improve them so to better explain the real scenario of investors when making investment decisions.

This study is expected to be helpful for individual investors which aid them in financial planning by identifying their major influential factors in investment decision making. With this study, individual investors can be made aware about their own behavioral aspects that influence their selection of securities in investment decision making. It is expected to be useful for institutional investors for making investment strategies, plans and policies.

The study is also expected to contribute to existing literature by identifying the behavioral factors in investment decision and provide practical implications for stock market and regulators in NEPSE. In addition it is expected to be useful to stock market dealers and enable management to improve their services.

1.5. Organization of the Study

The research study has been organized into five sections. First section deals with the introduction about general background of investors' behavior in selection of securities while making investment decisions. This section also deals with the research problem, objective of carrying out the study and implication of its outcome to different stakeholders.

The next section deals with literature review where it has been divided into three sub sections. It includes review of different journal articles and research paper based on the objectives, methodology and contributions. It also covers theoretical framework established for this study and research gap.

The third section consists of research methodology. Research methodology includes research design, nature and source of data, determination of population and sample size, data collection procedure, the methods of analysis of data and limitation of study.

The fourth section of the study deals with data analysis and presentation where general profile of respondents, descriptive analysis and inferential analysis of data has been done. The last section of the study deals with summary and conclusion where summary of findings, conclusion and recommendation has been made.

CHAPTER II

REVIEW OF LITERATURE

This chapter deals with review of various articles, research studies and conference paper to have a clear understanding about factors influencing investment decision of individual investors in different parts of the world. The reviews serve to provide an in- depth knowledge of conducting this study.

2.1. Review of Conceptual Framework

The key paper for this research study is “Factors influencing investment decisions in capital market: A study of individual investors in Nigeria” by Obamuyi (2013). This paper has been used for drafting conceptual framework for the study. This paper has identified certain factors that have influenced individual investors in making their investment decision in Nigerian capital market where survey was carried on 320 respondents. The main objective of the paper was to determine and prioritize the most influencing factors on investment decisions of investors and compare the effect of socio-economic characteristics of investors on any of the most affecting factors.

Structural questionnaire was developed and distributed for collecting the required information on investors’ behavior regarding their investment decision. Investment decisions of investors were found to be most influenced by past performance of company stock, expected stock split/capital increase/bonus, dividend policy, expected corporate earnings and get rich quick. These factors were significantly influenced by socio-economic characteristics of investors The main contribution of this research paper is investors are found to be attracted to the factors that tend to maximize their wealth in the capital market.

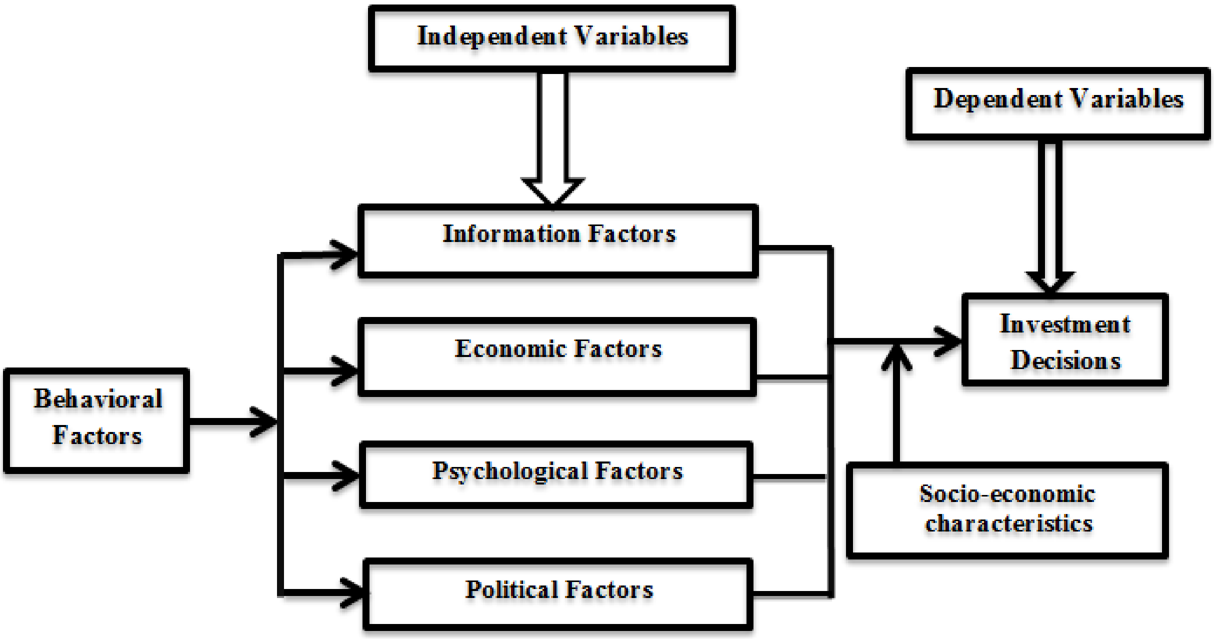

Figure 2.1 Schematic Diagram of Theoretical Framework

Specification of Variables

Independent variables

The independent variables in this research are the behavioral factors affecting investors' decisions. These variables include-

- **Information factors**

  Information factors play a vital role in influencing investment decision. Easy access to information for investors is essential as it helps them in making good decisions. It includes factors such as past performance of the company, reputation and position of firm within the industry, expected dividend and capital gains, marketability of information, voting rights and availability of credit.

- **Economic factors**

  Different economic factors tend to influence the stock market movement and this tends to have impact on investors decision. The economic conditions of the country will have direct impact on performance of stock prices and thus influence decision of investors. Some of the economic factors include exchange rate, interest rate and inflation rates.

- **Psychological factors**

  Psychological factors are those that influence the mindset of individuals. These factors includes immediate gains from investment, gut feeling of the economy, advice from family and friends, advice from stock brokers, recommendation from financial advisors and analyst and diversification of investment.

- **Political factors**

  Political changes also tend to have direct and indirect influence in the stock price movement. These factors include government policies and political stability.

Five point likert scale has been used to measure the above mentioned independent variables where the responses from the respondents has been scaled as strongly disagree, disagree, neutral, agree and strongly agree. There are different moderating variables that have been used in this study which affects investment decision of individual investors. These variables include age, education, gender, profession, marital status and income level. These moderating variables are important for the study to show whether they have significant relationship with decision making of investors.

2.2. Review of Related Empherical Studies

Sarkar & Sahu (2017) examined the factors influencing behavior of individual investor in Stock Market of West Bangal. The study was mainly based on primary data that have been collected from 500 randomly selected individual Stock Market investors from different districts of West Bengal using structured questionnaire. The major findings of descriptive statistics, Cronbach Alpha, Factor Analysis, Correlation Coefficient and Probit Regression Model using SPSS and Stata Softwares indicated that the Perceived Risk Attitude of individual investors was in a good position and it was mainly based on cognition in comparison to affect component of Perceived Risk Attitude that means that their perceived risk attitude was based on mental process involved in gaining knowledge and comprehension including thinking, knowing, remembering, judging and problem solving rather than emotional component of an attitude that refers to an individual's feeling about something or someone. Heuristics dimension, Prospects dimension and Markets dimension of investment behavior are strong in the Stock Market whereas Herding dimension of investment behavior are not so strong in the Stock Market. The study concludes that behavior of individual investor in Stock Market is significantly influenced by their demographic factors and Perceived Risk Attitude.

Velumoni & Rau (2015) identified the most influencing and least influencing factors affecting the equity investment decision along with finding whether any principal factors differ significantly between male and female investors. For attaining objectives of the study, descriptive research design was adopted where questionnaire method has been used to collect the data. Based on convenience sampling technique, sample of 50 respondents were collected from Madras Stock Exchange and Tamil Nadu Investors' Association. Forty one variables were recognized under seven principal factors namely- accounting, company, external, industry, technical, advocate and individual factors. The results revealed most influencing factor as promoter's track record followed by past experience, product/services of best quality, reputation of the company, life cycle of the industry, knowledge about share market and affordable share price. On the other hand the least influencing factors include get rich quick, brokerage firm's advice, opinions of majority of shareholders, spouse/relatives/family members' opinion and friends or coworkers' recommendation. On the basis of principal factors, accounting factors have been ranked as most important whereas advocate factors have been ranked least. The independent sample t-test conducted has shown technical, company and individual factors differed significantly between genders whereas accounting, external, industry and advocate factors were found to be insignificant.

Chattopadhyay & Dasgupta (2015) made their study with a purpose of investigating how the demographics and socioeconomic factors associated with investors impact on financial risk tolerance of Indian retail investors and thereby risk attitudes of them. For this study, 200 individual investors were taken who invested regularly in Indian stock market. A random sampling technique has been employed in this study. The results of this study show Indian investors have a lower risk tolerance level which makes them highly risk averse. Aged investors have found to be more risk averse than their younger counterparts with a significant impact of age on their risk tolerance level. Married investors with children were also found to be more risk averse. Educated people seem to have higher risk tolerance level making them risk prone whereas higher income and savings of investors tend to decrease risk aversion. This study has also found out that women investors are more risk prone than their male counterparts and employment status has been found to be immaterial to risk attitude.

Viswanadham, N & Mwakapala (2014) made their study in Tanzanian equity market to determine factors influencing investors buying behavior and identify the importance of economic, sociological and psychological factors affecting investors' decision. In order to conduct this study, cross-sectional survey design and stratified sampling technique was used to know determinants of investment decision. To collect data from respondents different methods have been adopted such as interviews, questionnaires and documentary evidence. The study on Tanzanian market showed that investors give priority to capital adequacy of the company, market sentiments and government policies towards development of the market. The results also revealed that demographic factors are highly dependent on all other factors such as psychological, economic and political factors. The research findings also suggest all listed companies should pay attention to factors such as quality management decisions, building brand, transparency in settlement issues, review of interest rates and alternative companies marketing strategy to acquire better position in the market.

Lodhi (2014) made a study to determine how personal investment is affected by the level of knowledge an investor possesses about different investment instrument, knowledge of the relationship between risk and return along with knowledge of company's performance analysis technique and portfolio management techniques. The study intends to examine the impact of these factors on individual investors' decision making through the empirical research of people living in Karachi. For this, five independent variables were identified which includes financial literacy, high experience, use of accounting information, importance of analyzing financial statements and age that might affect the decision making of investor. Five different dependent variables were also chosen which includes risk taking, risky investment, risk aversion, information asymmetry and shares investment. Closed ended questionnaire was used to collect data and simple random probability sampling technique was used. Sample of 60 investors out of 100 investors was used for the research study. The result of study showed financial literacy and accounting information helps investors in lowering information asymmetry and allows them to invest in risky instruments. But as age and experience increase investors preference changes to less risky instruments. They will prefer to invest in shares but with the intention of getting dividend return rather than capital gains.

Jagongo & Mutswenje (2014) examined the factors influencing investment decisions at Nairobi Stock Exchange. A structured questionnaire consisting of 28 items was distributed to sample of 50 investors who were randomly selected. Out of which 42 investors responded representing response rate of 84percentage. For this study, descriptive statistics, factor anlaysis and Friedman's test was used. The most important factors that influence individual investment decision were reputation of the firm, firms' status in the industry, expected corporate earnings, profit and condition of statement, past performance of firm's stock, price per share, feeling on the economy and expected dividend by the investors.

Gunathilaka (2014) examined equity investment decision process of retail investors in Sri Lanka with the purpose of identifying factors influencing equity selection decision and to observe the influence of emotions, cognitive and demographic differences on investment decision. The study used similar design for developing the questionnaire with minor modifications. The modified questionnaire included 21 questions relating to behavioral factors and were categorized as accounting information, advocates' recommendation, self-image/firm image, concern on economic trends, classic rational factors and personal financial needs. Responses were taken from retail investors in Colombo stock exchange who regularly invest in share market. The result indicated market awareness as the highest influencing attribute that affects equity selection followed by company stability, past performance, riskiness, economic events and political trends. The least considered factors include social status, religious beliefs and share trading experience. Gender differences were seen in market awareness, political stability, big gains expectations and trading experience. Education showed difference in consulting, political stability and reputation of the firm whereas occupation showed difference in getting big- quick profits.
Akhter & Ahmed (2013) conducted the study in Bangladesh stock market with a view of revealing current scenario of stock market situation and develop a framework about behavioral aspects of individual investors for investment. For this study, explanatory and descriptive designs have been applied where structured questionnaires were administered to repsondents. Convenience sampling technique was adopted to collect data from a sample size of 225 brokerage houses. The results of this study shows that majority of the respondents invest in the market to increase their capital by obtaining both dividend and capital gain. Investors relied on mulitiple sources to collect information for their investement decision. It has also been found that business performance, reputation of the

firm, firm's status, feelings for a firm's product and services, firm's involvement in solving community problem and firm's ethical operations influence investor's decision. Investor's decision was significantly influenced by the firm's accounting information such as earning price per share (EPS), financial statements, dividend price per share (DPS), expected dividend, past performance, etc. Indivdual investors decision was strongly affected by advice of brokers, friends and family.

Ali & Tariq (2013) examined the influence of economic and behavioral factors in shaping the investment behavior of individual equity investors in Pakistan. The study employed exploratory research design for collection of data. Structured questionnaire were mailed and personally administered to individual investors in three stock exchanges. Out of 400 questionnaires distributed 239 were usable representing response rate of 60percentage. The questionnaire included six factors namely classical wealth maximization, accounting information, self-image/firm- image conincidence, neutral information, advocates recommendation and personal financial needs. The result found strong influence of self-image/firm-image coincidence, neutral information and advocate recommendation whereas no influence of factors such as classical wealth maximization, accouting information and personal financial needs have been found on individual equity investor's decision making.

Ansari &Moid (2013) made their study to find out the investment behavior among young professionals in Lucknow. It was conducted among 200 investors that were gathered from a database of young investors from different workplaces who were in the age bracket of 25 to 35 years. The main objective of the study was to find out the important factors that affect the investment behavior of young investors along with objective of finding correlation between age and investing activities, assessing influence of demographic variables on awareness level of young individual investors. For the study, convenient sampling technique was adopted in collecting data. The result showed that investors considered volatility of stock market and company's image as important before investment. Risk and return factor are also considered as important factor before investing. It has also been concluded that for young investors' investment is independent of age, income and gender.

Bashir *et al.* (2013) identified seven variables that influence decision making behavior of investors of Pakistan. The identified variables include- accounting information, advocate recommendation, self-image, neutral information and personal financial needs. Thirty four items under these five categories of variables were taken as independent that influences the individual investment decision making behavior. For this study, sample sizes of 125 out of 140 investors were selected randomly and were administered with structured questionnaire. The sample of investors included finance students, teachers and bankers of Pakistan. The result showed all 34 factors that were included in questionnaire were in some way affecting the Pakistani investors' decision making in investment. The most important category by order of importance was- accounting information, self-image, personal financial needs, neutral information and advocate recommendation. The most influencing variables include dividend paid, reputation of firm, feelings for firm's products and services, get rich quick, firm's involvement in solving community problems and firm's status in industry related to firm's image and accounting information. The least influencing variables include friend or coworker recommendation, opinions of the firm's majority stockholder, recent price movement in firm's stock, religious reasons, family member opinion and broker recommendation.

Aduda, Oduor, &Onwonga (2012) their study seeks to find out what factors do individual investors take into account while making their investment decisions in Nairobi stock exchange and whether they are familiar with the best investment practices. For the study, descriptive survey design was used to investigate behavioral factors that affect investment decision. Data on individual investors were collected through semi structured questionnaire and secondary sources for the performance of individual investors. Advice from friends and colleagues, popular opinion about the market and recent trend in share movements are the most influential factors when investors make their investment decisions. Males were the most active traders in stock market which indicates overconfidence on the part of the males in the assessment of their abilities to outperform the stock market. It was also found that there were varied behaviors and financial performance of individual investors in Kenya. Some exhibited rational behavior who decided to go for stocks from companies with good financial performance. On the contrary, there were investors who were irrational showing herding behavior.

Geetha & Ramesh (2012) assessed the relevance of demographic factors in investment decision by conducting a survey in Nagapattinam district of Tamilnadu, South India. The study seeks to anlayze the influence of demographic factors such as gender, age, education, occupation, income, savings and family size in investment decision making process, frequency of investment, period of investment, access to source of information and analytical abilities. Non- probability convenient sampling technique has been followed for collection of data. A convenient sample of 475 respondents has been considered adequate to represent the characteristics of entire population. The results revealed life insurance, real estate, provident fund, bank deposits, post office deposits and gold/silver as investors'most favorite investment avenues whereas fixed interest bonds, corporate debentures, company fixed deposits, equities and mutual funds were categorized as not favorite investment avenues of investors. The survey also found that there has been no significant relationship between demographic factors and other factors that influence the investment decision making process. However in case of period of investments, family size, annual income and annual savings have significant relationship whereas rest of the variables have no significance. Furthermore, it has been found out that there has been a significant relationship between variables such as gender, age, education, occupation, annual income and savings with sources of awareness obtained by the investors whereas no significance has been found with family size. On the other hand, analysis of investment avenues shows significant relationship with factors such as gender, occupation, annual income and annual savings and no significance with age and family size.

Hossain&Nasrin (2012) conducted their study in Bangladesh with objective of identifying the factors that investors consider as important in selecting equity shares and examine how these factors were prioritized according to their importance. It has also aimed at finding out any significant differences between different levels of investors classified according to demographic characteristics. To meet these objectives, structured questionnaire was prepared and non-probability (purposive) sampling technique was chosen for the survey. Responses received from 351 retail investors' revealed majority of the total respondents were male. The principal factors that influenced investors' decision making in order of importance include company specific attributes, net asset value and accounting information. The results also reveal accounting information has significant difference across respondents with regard to age, income, education and experience. Publicity factors significantly differ with educational level and length of trading experience. Respondents were found to be giving different degrees of importance to the factor- influence of people in selecting a share with regards to their age, education, occupation and length of trading experience. On the other hand, respondents having different levels of income were giving importance to trading opportunity in a significantly different way. In addition there were significant difference in personal financial needs between different income and educational groups and net asset value between different occupational groups of respondents.

Kadariya (2012) made the study of Nepalese capital market with the objective of analyzing the market reactions to tangible and intangible information and examined the investors' opinions. Descriptive and correlational research design have been employed for this study. For collecting investors' opinion, structured questionnaire has been used. The questionnaires were distributed to 185 investors through email out of which only 50 were found to be useful representing 27percentage response rate. The result of this study revealed that majority of the respondents involved in stock market are of age below 30 years indicating young investors being attracted towards security market. There is presence of educated investors in the market where small investors has more voice in the Nepalese stock market. Media and friends have been observed as the major factors influening investment decisions. The preferred sector of investors include banking and finance followed by hydropower sector whereas manufacturing sector has been ranked the least. Fundamental analysis and market noise has been observed as the mostly used method before making investment. The tangible components such as dividends, earnings, number of equity, book to market ratio and intangible component such as political party led government have been considered as the five most important factors for investment decisions as per opinion of individual investors.

Sultana & Pardhasaradhi (2012) made the study with a purpose to identify the factors influencing Indian individual investors' while choosing a stock for investment. For this study, 40 items were identified which influenced stock purchasing behavior of the investor. The identified attributes were categorized under five heads- personal &financial needs, firm-image of company, accounting information of the company, neutral information and advocate recommendation attributes. Along with these attributes additional three attributes were identified which include bonus shares issued in the past, expected issue of bonus shares and expected merge with big company. Questionnaire was used to collect responses from 1500 individual equity investors, out of which 891 investors responded. Factor analysis technique was used to study the factors influencing behavior of Indian equity investors. The results showed that accounting information of the company was the most influencing attribute and religious factor ranked first among the least influencing attribute while making investment decisions.

Bennet*et al.* (2011) made their study in Tamil Nadu to analyze the investors' perception of the various factors that influence the equity stock selection decision. The research design adopted for this study has been descriptive in nature and purposive sampling method was adopted to collect the required data. Primary data was collected using structured questionnaire from 375 retail investors. Different factors that were identified in this study include fundamental and market, earning, decision making, industry, corporate governance, positioning, image building, goodwill and industry competition factors. The result indicates positioning factors only had significant difference between genders in stock selection decision whereas marital status was found significant of fundamental and market factors and corporate governance factors. With regards to age group there was a significant difference with fundamental and market factors whereas in terms of education and occupation, no factors were found to be significant.

Chong & Lai (2011) examined the factors influencing equity selection process and its association with expected and actual return in Malaysia. Four factors have been identified influencing equity selection decision which includes neutral information, accoutning information, social relevance, and advocate recommendation. Two types of sampling method i.e. simple random and snowball sampling procedure was applied in this study. Statistical analysis was employed consisting of descriptive statistics, factor analysis, correlation analysis and multiple regression. The results indicated utmost important variable that influenced investors' decision were expected stock market performance followed by firm status in the industry, past performance of firm's stock, reputation of the firm and expected dividends.The least important varibales include friends/co-worker recommendation, brokerage house recommendation, environmnetal record and coverage in general press. It was also found that most of the investors were young and adults who participated in equity investment. Malaysian investors were found to invest in safety assets where their primary investments were in saving/fixed deposit followed by equity, muutal fund, real estate, bond and commodity investment. Neutral and accounting information indicated strong associations with expected return where neutral information was positively correlated while accounting information was negatively correlated with expected return. In addition, differences in gender factor was found with social relevance in equity selection process whereas accounting information was found significant of stock market experience.

Fares & Khamis (2011) made their study in Amman Stock Exchange with a purpose to find out factors influencing trading behavior of investors. In this study, four explanatory variables were used which include investor's age, his/her use of internet, level of formal education and broker. Data were collected using questionnaire and out of 450 respondents, 300 respondents gave complete sets of answers. The dependent variable measured the amount of money used for stock trading. In this study, multiple regression technique has been applied to study the effect of independent variables on dependent variables. Out of 15 independent variables only three variables were statistically significant with positive sign i.e. investor's age, his/her use of internet and formal education. The broker variable was highly significant however with negative sign implying the need for professionally trained and experienced analysts to win client's trust.

Ng & Wu (2010) examined the evidence of peer effects in trading decisions of individual investors in Mainland, China. The study has employed new data set to examine direct peer effects, via word of mouth, in the trading decisions of groups of individual investors who placed their shares largely in person at their brokerage branch office in Shanghai. To conduct this research, primary data was collected from brokerage branches in Shanghai which were based on daily detailed records of A shares trades executed by individual brokerage accounts for the period of April 2001- April 2002. Results of the study indicate strong word of mouth effects in trading decisions of individual investors who are in the same room at the time they place their trades. The influence of word of mouth in individual investors has been found more pronounced in investor buying than selling.

Al-Tammi & Kalli (2009) assessed the financial literacy of the individual UAE investors who invest in the local financial markets. The study also examined the effect of demographic factors on financial literacy and relationship between financial literacy and the factors that affect investment decision. For this study, questionnaire consisting of 62 questions were distributed to 600 respondents. Out of 600 respondents, 290 responses had an effective response rate. Convenient sampling technique was adopted to collect the responses. The result of this study displayed financial literacy among UAE investors were far from the needed level. The financial literacy level was found to be affected by income level, education level and workplace activity. A significant difference was found between financial literacy and gender. The result also identified four most influencing factors on investment decision which include- religious reasons, reputation of the firm, perceived ethics of the firm and diversification purpose whereas the least influencing factors include rumors, family member opinions, ease of obtaining borrowed funds and friends' recommendation.

Gill & Biger (2009) made their study focusing on the factors that affect decisions of investors to invest in stocks. The study examined the effects of investment expertise, accounting information, neutral information and consultation with investment advisors on investors' decision to invest in stocks. In order to conduct this study, survey research design was utilized as it was considered as a useful tool for studying sensitive opinions, attitudes, preferences and behavior of individuals. This study consisted of a sample of Canadian investors and applied a convenience sampling method to select and recruit the research participants. The result of the analysis showed investors' proportional investment in stocks as part of their investment portfolio is positively affected by the factors such as stock investment expertise, knowledge of neutral information and consultation of an advisor. Significant gender differences have been found in the relationships between factors and stock investment decisions. Age of the respondents and family status were not found to be significantly affecting investment decisions.

Maditinos, Sevic & Theriou (2007), with the objective of identifying the general practices of individual and professional investors regarding stock analysis in Greece, and also to examine the impact of various techniques adopted on the performance of individual and professional investors, the study was carried out. For this study, questionnaire was developed and distributed to 1014 respondents where the questionnaire focused on four categories of analysis- fundamental, technical, portfolio analysis and others' opinions. The results of the study indicate that most Greek investors rely heavily on fundamental and technical analysis and less on portfolio analysis. Fundamental analysis is mostly used by mutual fund, official members of Athens Stock Exchange, portfolio investment companies, listed companies groups while broker and individual investors groups consider it to be less important. Technical analysis is more popular among broker investor groups than other investor groups. Combined use of both fundamental and technical analysis is relatively popular among all user groups. The investment horizon seems to have a direct association with the relative importance of the techniques that professionals use for stock analysis. The use of specific techniques seems to have a different impact on the performance of professional investors.

Al- Tamimi (2006) made a study on UAE financial markets to determine the investors' behavior. For this study, modified questionnaire was developed to examine behavior of investor where the questionnaire item represents five categories- self-image, accounting information, neutral information, advocate recommendation and personal financial needs. The questionnaire includes 34 items representing these five categories. 350 questionnaires were randomly distributed to individual investors but only 343 responses had an effective response rate. The results indicated the most influencing factors in order of importance were corporate earnings, get rich quickly, stock marketability, past performance of the firm's stock, government holdings and creation of organized financial markets. The least influencing factors include expected losses in other local investments, minimizing risks, expected losses in international financial markets, family member opinions and gut feeling on the economy. In addition, two factors had unexpectedly the least influence namely religious reasons and family member opinions.

Merikas*et al.* (2003) made an empirical survey of factors which appear to exercise the greatest influence on individual stock investor in Greek stock exchange. The study aimed at finding the relative importance of economic decision variables the individual investors look at while making stock purchase decisions and homogenous clusters or groups of variables that form identifiable decision determinants that investors rely upon when making stock investment decisions. For the study questionnaires were used to collect responses from 150 out of 400 experienced shareholders. The respondents were asked to evaluate the importance of 26 variables potentially influencing stock investment decisions. The results of the study indicated that most of the variables that were rated important were classic wealth maximization criteria, diverse decision criteria, speculative criteria and environmental criteria. The study also showed that experienced investors relied mostly on wealth maximization criteria and they were found to be self-reliant ignoring inputs of family members, politicians and co- workers. The results also confirms that there seem to be a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence have identified as influencing factors for the average equity investor.

Barber & Odean (2001) in their study has aimed to justify theoretical models about overconfident investors' trading excessively. For this, investors were partitioned on the basis of a variable that provides a natural proxy for overconfidence-gender. For the study, over 35,000 household from a large discount brokerage were selected. The analysis was made on common stock investments of men and women from February 1991 through January 1997. The results of the study showed men trade 45percentage more than women and thereby reduce their returns more than do women. Furthermore these differences were more pronounced between single men and single women.

Islam, Khan & Ahmed (1996) surveyed the behavior of investors in stock market of Bangladesh. They used primary data from 409 investors who were interviewed in 1993 through questionnaire under a stratified random sampling technique. The samples included both existing and potential stock investors who represented five major cities in Bangladesh. The result of descriptive analysis showed higher number of service holders making stock investment with lower average volume of investment than that of any other occupation. The discriminant analysis of the study revealed that knowledge score as the distinguishing factor between potential and existing investors. Regression analysis showed amount of investment in stock to be positively influenced by the knowledge of the investor about the stock market, investors' ability to analyze stock information, economic capacity of investors, age of investors and number of year's investor has been investing in stock. On the contrary, level of formal education and daily working hour influences the amount of stock investment negatively. So this study identified some socio-economic behavior affecting the demand for stocks and the relative preference of stocks.

Nagy & Obenberger (1994) undertook their research on investment decision process of individual investors where factors that have greatest influence on individual stock investors were determined. The study also examined whether homogenous groups of variables form identifiable constructs that investors rely upon when making decisions. For this study, questionnaires were used and mailed to 500 experienced shareholders and participants were asked to evaluate the importance of 34 variables. Ranking of variables were made according to how frequently they were placed in each response category and used factor analysis to examine how they interacted. The results of the study showed classical wealth maximization criteria as the most influential factor in investment decision even though investors employ diverse criteria when choosing stocks. Local or international operations, environmental track record and firm's ethical posture appear to be given only cursory consideration. At least seven relatively homogeneous groups of variables have been found to influence the individual investor behavior.

Based on the above findings and insights from various articles, this study has attempted to examine the factors that have greatest influence on the individual stock investors' decision in Nepal.

2.3. Concluding Remarks

There have been several studies conducted to study the investment behavior of individual investors in stock market. Most of the researches done in various parts of the world have identified and prioritized several factors that affect the investment behavior of investors. These factors include expected dividend, corporate profit earnings, market sentiments, past performance of the company's stock, political stability and maximization of wealth. Even psychological factors are considered to have major impact in decision making behavior of investors for investment. Other studies have also found that socio- economic dimensions such as age, education, marital status, income, profession, gender tend to have influence on investment decision of individual investors.

In context of Nepal, very few research studies have been conducted on factors influencing investment decision of individual behaviors. The studies that have been carried out so far have considered only few factors relating to investment decision. Hence, this study has been carried out to determine and prioritize various factors affecting investment decision along with relationship to socio- economic factors and also determine whether investors' decisions are highly influenced by political variables.

CHAPTER III

RESEARCH METHODOLOGY

This chapter deals with how the research has been designed and the methodology to be used to determine factors influencing individual investment decisions in Nepalese stock market. It basically briefs about the research design and plans, determination of sample size, instruments used to collect the data, sources and methods of data collection and data analysis tools and techniques that has been used to carry out this study.

3.1. Research Design

The main objective of undertaking this study has been to identify and determine the most influential factors that influence individual investors' decisions. These factors include information, economic, psychological and political factors. The study also intends to test the hypothesis related to relationship between behavioral factors and socio-economic characteristics of the respondents.

3.1.1. Types of Research Design

The research design that has been adopted for this study is descriptive research design where survey method has been used. Survey research design is used to collect data from members of population and describe the phenomena by asking individuals about their attitudes, opinions, behavior or values.

This research design has been found suitable for this study as it intends to collect data to ascertain facts about investment decisions in Nepalese capital market. This kind of research design has helped to learn about respondents' profile and identify and define the characteristics of individual investors.

Questionnaires have been administered to the respondents to collect opinions of Nepalese investors regarding their investment decision making. The collected information then has been analyzed using the software Statistical Package for Social Sciences (SPSS). The study has covered a wide range of questions regarding investment, perception of investors, characteristics of individual investor and preferred investment sectors.

3.2. Nature and Source of data

The study has been conducted using primary survey where data have been collected through structured questionnaires (presented in Annex III) from individual investors investing in NEPSE. This questionnaire as a means has been used to collect opinion of investors regarding their investment decision making. All the questions included in this survey have been closed end i.e. restricting the respondents to answer to choose within the alternatives provided to them.

The questionnaires have been administered to the individual investors through Google forms. The developed questionnaire includes items which correspond to factors such as information, economic, psychological and political. It has been structured in two sections. First section contains general information about the investors and the second section contains data on factors affecting individual investment decisions. The method of data collection in this study has been considered to be appropriate as it encourages prompt responses from the respondents.

3.3. Population and Sample

The population for this study includes all those individual investors who trade their shares in Nepal Stock Exchange. To determine investment behavior of individual investors it would not be practical to take into account the entire population. For representing investors from all over Nepal, respondents were required to specify their address. The number of respondents from inside and outside valley has been presented in Annex I.

Respondents have been selected on the basis of respondents' knowledge on financial markets. Due to resource constraints, the total number of respondents chosen for this study has been 150. This sample size undertaken for this study intends to justify the views of the respondents and represents the whole population.

Google forms have been used to reach students, housewife, service and private workers, etc. In this way varied views from respondents having different occupation have been taken into account.

Under sampling method, mix of both convenience and stratified sampling method has been used in this study. Convenience sampling is a method where the respondents are selected as per convenient, accessibility and proximity. This method has been adopted as the population for this study is infinite for individual investors and is difficult to estimate.

Stratified sampling is a sampling method where the population is divided into smaller groups known as strata. In this study, strata have been defined on the basis of occupation of the respondents. This method has been undertaken so to improve the representativeness of the sample by reducing error and making the data more reliable and valid.

3.4. Respondent Profile

Structured questionnaire has been used as the only method for collection of data. Individuals involved in trading in stocks listed in Nepalese Stock Exchange have been chosen as respondents for this study. The questionnaire has been designed carefully so it could best serve the purpose of the study and is prepared with a view to measure perception of respondents regarding individual investment decision. It consists of two sections. First section includes demographic profile of respondents whereas second section includes different factors affecting decision of individual investor.

The questionnaires contain likert scale, dichotomous (yes/no), ranking questions as well as multiple choice questions. Likert scale with five points scale has been included in the questionnaire where respondents have to choose the appropriate answer on scale from one being strongly disagree to five being strongly agree. This indication states to what extent the investment decisions are influenced by different factors. Likert scale questions have been based on the factors identified which influences investment decision of individual investors.

Before getting response from respondents, the objective of the research and the way of filling the questionnaire has been explained to them.

3.5. Data Analysis Method

The collected data have been tabulated, categorized and analyzed using appropriate tools such as SPSS software and Microsoft Excel. In this study, SPSS has been used for data analysis where several statistical techniques have been used to obtain the outcome of the study. Both descriptive and inferential analysis techniques have been used for data analysis and testing of hypothesis set forth. The statistical methods include arithmetic mean, standard deviation, independent t-test, percentage analysis, frequency, Analysis of variance (ANOVA) test, Levene's test of homogeneity and Post hoc analysis.

Arithmetic Mean

The arithmetic mean is a mathematical representation of a series of numbers, computed as sum of all the numbers in the series divided by the numbers in the series.

Standard Deviation

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance.

T test

A t-test provides a statistical test of two population means. It helps to compare whether two groups have different average values.

ANOVA test

ANOVA provides a statistical test of whether or not the means of several groups are equal. ANOVAs are useful for comparing (testing) three or more means (groups or variables) for statistical significance.

Levene's test of Homogeneity

Levene's test is an inferential statistic used to assess the equality of variances for a variable calculated for two or more groups. It assesses that variances of the populations from which different samples are drawn are equal. It tests the null hypothesis that the population variances are equal (called homogeneity of variance or homoscedasticity). If the resulting p-value of Levene's test is less than significance level (0.05), the null hypothesis of equal variances is rejected and it is concluded that there is a difference between the variances in the population. When Levene's test shows significance, one should switch to more generalized tests that are free from homogeneity assumptions.

Post Hoc Analysis

Post hoc analyses are usually concerned with finding patterns and/or relationships between subgroups of sampled populations that would otherwise remain undetected and undiscovered. This analysis has been conducted when null hypothesis has been rejected after conducting ANOVA test. This test helps to make pair wise comparison in order to know which groups differ and how many groups differ.

3.6. Limitation of study

- The behaviors of the participant may vary depending upon market condition and thus affecting the information that has been collected.
- The analysis has been solely focused on investors' perception, knowledge and behavioral patterns while selecting securities for investment decisions.
- Because of resource constraints, extensive research on the study cannot be conducted.
- There might be presence of some biases and hesitation from the respondents while collecting data. This can affect the validity of response.
- The information collected has been based on structured questionnaire only.
- The information collected from the respondents has been assumed to be correct.

CHAPTER IV

DATA ANALYSIS AND PRESENTATION

This chapter presents the analysis of the data collected from the field survey. This section includes the descriptive and inferential analysis of the data. Percentage analysis, independent sample t- test, ANOVA test have been conducted to test the hypothesis set earlier in this study.

4.1. Demographic Characteristics of Respondents

This section contains the general profile of the respondents. The general profile of respondents includes variables such as gender, age, marital status, education level, monthly income and occupation. On the basis of the information provided by respondents from the questionnaire survey, demographic characteristics of respondents have been presented below.

Table 4.1: Demographics of Respondents

Respondents Profile (n=150)		Frequency	Percent
Gender	Male	92	61.3
	Female	58	38.7
	Below 20	5	3.3
Age	20 to 39	110	73.3
	40 to 59	28	18.7
	60 &above	7	4.7
Marital Status	Single	77	51.3
	Married	73	48.7
	Below Bachelors	20	13.3
Education level	Bachelors	53	35.3
	Masters & above	77	51.3
	Below 25,000	53	35.3
Monthly Income	25,000 to 50,000	50	33.3
	50,000 to 1,00,000	31	20.7
	1,00,000 & above	16	10.7
	Student	28	18.7
	Service	34	22.7
Occupation	Housewife	14	9.3
	Self employed	33	22
	Others	41	27.3

Table 4.1 shows percentage analysis of demographic characteristics of 150 respondents. According to the findings of the survey, it has been found that out of 150 respondents, 61.3percentage are male respondents whereas 38.7percentage are female respondents. The result indicates male population being actively involved in stock market and their willingness to take risk as capital market can be perceived to be risky at times. On the other hand, female population is seen to be risk averse investors. The study confirms the work of Obamuyi (2013) who observed women to be more risk averse than male. The result also confirms with the work carried out by Hossain and Nasrin (2012) who observed male respondents carrying out most the activities in security market implying men to be seen as chief income earners and financial decision maker.

The age group of 20 to 39 is seen to be dominant investors with 73percentage of the total investors investing in Nepalese stock market. The result of the age distribution indicates dominant investors are young and ambitious willing to undertake risk by investing in stock market.

In regards to marital status, both single and married population is seen to be nearly equally active in security market of Nepal i.e. 51.3percentage of total respondents belong to single category whereas 48.7percentage of total respondents belong to married category.

In terms of educational level, more than half of the respondents i.e. 51.3percentage fall under the educational category of masters and above. This result shows highly qualified and well informed individuals are active participants in securities investment. The result also confirms with the study carried by Obamuyi (2013) where respondents having enough knowledge and information about capital market are involved in trading activities.

The analysis of study regarding distribution of monthly income depicts 35percentage of the total respondents fall under the income category below 25,000 followed by income category of 25,000-50,000 (33percentage). This indicates there is larger number of small investors in security investment of Nepal.

The result of occupation categorization of respondents reveal individuals involved in other sectors have greater exposure to stock market (27.3percentage) followed by service sector (22.7percentage) and self- employed (22percentage). Here, other sectors professions include private worker, retired, engineer, businessman, executives, etc.

4.2. Distribution by type of investor

This segment deals with the categorization of respondents on the basis of types of investors. Investors have been divided into three categories such as active, passive and occasional investors. Table 4.2 shows the percentage analysis on the basis of classification of investors.

Table 4.2:Type of Investors

Type of Investor	Frequency	Percent
Active Investor	43	28.7
Passive Investor	42	28
Occasional Investor	65	43.3
Total	**150**	**100**

The percentage analysis in Table 4.2 shows 43percentage of the total respondents (n=150) are occasional investors involved in security market followed by active and passive investors. This can be a measure for volatility in stock market as role of occasional investors is larger, the capital market is subject to higher volatility in either direction.

4.3. Distribution by time of investment

This segment deals with the period of investment that respondents have been involved in security transactions. Table 4.3 shows percentage analysis on the basis of time of investment.

Table 4.3: Time of Investment

Time of investment	Frequency	Percent
Below a year	44	29.3
1-2years	39	26
2-3 years	25	16.7
3-4 years	13	8.7
4 &above	29	19.3
Total	**150**	**100**

Table 4.3 reveals majority of respondents been investing in security market below a year to 2 years (55.3percentage). This shows new investors are being attracted to the capital market. The reason behind it can be the rapid development of the market that new

investors are seen more attracted towards security investment. The other reason can also be as higher number of occasional investors is involved in stock market, that majority of the respondents are investing below a year to 2 years. On the other hand, 19.3percentage of the respondents have been investing for 4 and more years. This can be an indication of maturity of the capital market.

4.4 Investment Decisions of Individual Investors

This section deals with the identification of various investment decisions made by individual investors such as areas of investment, source of information used before making investment, analysis techniques used when making investment decisions and purpose of investment.

4.4.1. Distribution by preferred areas of investment

This part contains preferred areas of investment in capital market of individual investors. Investors were asked to indicate their preferred areas of investment where they can choose more than an option. On the basis of the responses provided, percentage analysis of preferred areas of investment of individual investors has been presented in Table 4.4 in order of importance.

Table 4.4: Areas of Investment

Preferred areas of investment	Percent
Banking and financial institutions	89.3
Hydropower	66
Trading	14.7
Hotel/Service	11.3
Manufacturing	6

Table 4.4 depicts banking and financial institution as the most preferred areas of investment i.e. 89.3percentage followed by hydropower (66percentage). Bank and financial institutions being a secured form of investment, majority of the investors tend to prefer them. On the other hand, investors are less interested in sectors such as trading (14.7percentage), hotel/service (11.3percentage) and manufacturing (6percentage). This confirms with the work carried out by Kadariya (2012) where the findings include banking and finance sector preferred by investors followed by hydropower sector whereas manufacturing sector being the least preferrred sector of investment.

Because of less attraction and higher risk involved in sectors such as real estate, commodity market, etc many investors are attracted towards investing in areas such as banking and financial institutions and hydropower. Banking and financial institutions tend to provide investors with regular returns and income. The recent regulatory requirement by NRB to increase the capital requirement has required banks to issue right shares, provide bonus shares and dividends to its shareholders. Due to which many investors are seen to be attracted towards making investment in this sector. Investors are also attracted towards hydropower sector with a view that it will provide them with returns in the long run.

4.4.2 Distribution by source of information

This segment is concerned with different sources of information that individual investors use before making any investment decisions. Respondents were asked to specify the sources of information they use while making investment decision where respondents can choose more than an option. Table 4.5 shows sources of information used and preferred by individual investors while investing in stock market.

Table 4.5: Sources of Information

Sources of information	Percent
Financial News(Printed/Online)	66
NEPSE Website	58.7
Other Investors	47.3
Annual reports and announcements	44.7
Brokerage Firms	22

Table 4.5 shows financial news (printed/online) as mostly used source of information by the respondents i.e.66percentage . Investors also rely on NEPSE website (58.7percentage), other investors (47.3percentage) and annual reports and announcements (44.7percentage) whereas brokerage firms (22percentage) are the least used source by investors while making investment decisions.

4.4.3. Techniques used before investing

The major three analysis techniques used before making any investment includes technical analysis, fundamental analysis and market sentiment. Investors tend to use any one or combination of all three techniques in decision making. The respondents were asked to indicate whether or not they perform any specific analysis and if they do which of the techniques they use in their investment decision. Majority of the respondents (74.7percentage) perform analysis whereas remaining 25.3percentage do not perform any analysis. The results have been presented in Annex II.

Table 4.6: Techniques Used

Analysis technique used	Percent
Technical analysis	34
Fundamental analysis	40
Market sentiment	36

Table 4.6 represents the factors affecting investment decision of individual investors on the basis of techniques used. The result shows most important analysis for individual investors is fundamental analysis (40percentage) followed by market sentiment (36percentage) and technical analysis (34percentage) before making investment decision. This indicates that Nepalese investors prefer fundamental analysis including financial ratios, company information and management quality, etc. so that there will be low chances of having loss in their investment.

4.4.4. Purpose of investment

Investors have some purposes of investing in security market. The purposes of investment have been divided into four- long term returns, short term returns, steady income and speculation. Respondents were asked to rank these four purposes of investment where 1 denotes highly important whereas 4 denote least important.

Table 4.7: Purpose of Investment

Ranking purpose of investment				
Statistics	**Long term returns**	**Steady income**	**Short term returns**	**Speculation**
Mean	1.68	2.14	2.81	3.35
Median	2	2	3	4
Std. Deviation	0.797	1.081	0.937	0.828
Rank	**1**	**2**	**3**	**4**

Table 4.7 reveals majority of the respondents are motivated to have long term returns (1.68) and steady income (2.14) whereas short term returns (2.81) and speculation (3.35)

are least important to investors. This depicts Nepalese investors are motivated to invest in securities for long term purpose and to receive regular income from their investment.

4.5. Prioritization of factors influencing investment decision making

This section deals with identification and prioritization of factors that influences security investment decision of investors. Using a 5 point likert scale, respondents were asked to indicate their level of agreement and disagreement to different statements relating to information, economic, psychological and political factors where 1 denotes strongly disagree and 5 denote strongly agree. Table 4.8 presents the mean and standard deviation of the factors influencing investors' investment decision in Nepalese capital market.

Table 4.8: Factors Influencing Investment Decisions in Nepalese Capital Market

S. No.	Factors affecting decision making	Mean	Std. Deviation
1	Possibility of having regular dividends and capital gains	4.12	0.897
2	Past performance of the company	4.09	0.941
3	Firms reputation and position within the industry	4.04	0.989
4	Political stability	4	0.983
5	Change in government policies	3.88	0.976
6	Diversification of investment	3.68	1.019
7	Advice from family and friends	3.65	1.1
8	Marketability of information	3.6	0.875
9	Recommendation of financial advisors and analyst	3.33	1.294
10	Level of market interest rates	3.25	1.069
11	Inflation rate	3.15	1.079
12	Immediate gains from investment	3.13	1.246
13	Advice from stock broker	3.08	1.201
14	Gut feeling of economy	3.06	0.964
15	Influence of prevailing exchange rates	2.75	1.199
16	Availability of credit	2.67	1.133
17	To get more voting rights	2.48	1.11

The results reveal five most influencing factors on investors' investment decision in Nepalese capital market in order of importance (with their means and standard deviation) include possibility of having regular dividend and capital gains (Mean = 4.12, S.D. = 0.897) , past performance of the company (Mean = 4.09, S.D. = 0.941), firm reputation and position within the industry (Mean = 4.04, S.D. = 0.989), political stability (Mean = 4, S.D. = 0.983) and change in government policies (Mean = 3.88, S.D. = 0.976).

The result of this study confirms with the work carried out by Jagongo and Mutswenje (2014) where most influential factors in individual investment decision include reputation of the firm, firm's status in the industry, past performance of the stock, expected dividend by investors, expected corporate earnings and profit and condition of the statement.

On the other hand, the five least influencing factors include advice from stock broker (Mean = 3.08, S.D. = 1.201), gut feeling of economy (Mean = 3.06, S.D. = 0.964), influence of prevailing exchange rates (Mean = 2.75, S.D. = 1.199), availability of credit (Mean = 2.67, S.D. = 1.133) and to get more voting rights (Mean = 2.48, S.D. = 1.11).

The least influencing factor of this study i.e. gut feeling of the economy and advice from stock broker confirms with the study conducted by Al-Tamimi (2006) where gut feeling of the economy is the least influencing factor and work of Bashir *et al.*(2013) shows broker recommendation as least influencing variable.

4.6. Political factors influencing investment decision

This section deals with identifying of the most influential political factors that affect investors' investment decision. The political factors have been categorized into four factors – government policies, frequent change in government, major internal political events and international politics. The respondents were asked to indicate their most influential political factor that affects their decision making.

Table 4.9: Political Factors Influencing Investment Decision

Political factors	Frequency	Percent
Government Policies	54	36
Frequent change in government	54	36
Major internal political events	37	24.7
International politics	5	3.3
Total	**150**	**100**

Table 4.9 depicts the most influencing political factors in investors' decision making. The result indicates government policies (36percentage) and frequent change in government (36percentage) equally impact investment decision of investors. The results confirm with the study carried out in Tanzanian equity market by Viswanadham, N & Mwakapala (2014). The least influential political factor is international politics (3.3percentage).

4.7. Inferential Analysis

This segment consists of the results of t-test and ANOVA test of factors affecting investors' investment decisions. The impact of socio-economic characteristics of investors on factors influencing investment decision has been analyzed in this section. The five most influential factors that have been identified include - possibility of having regular dividend and capital gains, past performance of the company, firm's reputation and position within the industry, political stability and change in government policies. The first three factors belong to information factor whereas last two factors belong to political factors. So these five factors have been taken for analysis as they have been reported highest by the respondents whereas economic and psychological factors has been reported lowest so they have been omitted from analysis.

4.7.1. Gender and most influencing factors in investment decision

An independent sample t –test has been used to examine whether there is any significant difference between gender and five most influencing factors in investment decision making.

Ho_{i1} = There is no significant relationship between most influential factors affecting investment decision with that of gender of respondents.

Table 4.10.:T-test for Influence of Gender on Investors' Investment Decision

The most influencing factors	Mean Value		t-value	Sig.
	Male	Female		
Possibility of having regular dividends and capital gains	4.02	4.28	-1.701	0.091***
Past performance of the company	3.97	4.28	-2.160	0.032**
Firms reputation and position within the industry	3.92	4.22	-2.016	0.046**
Political stability	3.98	4.03	-0.340	0.734
Change in government policies	3.9	3.84	0.350	0.727

***Significant at 0.10 ** Significant at 0.05

The results of independent sample t test in Table 4.10 reveals that there is a statistically significant difference between gender and regularity of having regular dividends and capital gains [t (150) = -1.701, p value = 0.091], past performance of the company [t (150) = -2.160, p value = 0.032] and firm's reputation and position within the industry [t (150) = -2.016, p value = 0.046]. This indicates gender of investors' matters when making investment decision based on the possibility of having regular dividend and capital gains, past performance of the company and firm's reputation and position within the industry.

The result confirms with the work of Velumoni & Rau (2015) where external factors such as political stability and change in government policies were found to be insignificant of gender.

The result of this study contradicts with the work of Hossain & Nasrin (2012) where advice from family and friends and brokerage firms' recommendation has been found significant of gender whereas accounting information and reputation of the firm has been considered as insignificant of gender.

It has also been observed in this study that political stability [t (150) = - 0.340, p value = 0.734] and change in government policies [t (150) = 0.350, p value = 0.727] is insignificant of gender.

However, in the work of Gunathilaka (2014), case of retail investors in Colombo Stock Exchange, political stability was found to be significant of gender whereas in this study, such evidence has not been found in Nepalese stock market.

4.7.2. Marital Status and most influencing factors in investment decision

An independent sample t-test has been conducted to observe whether there is significant difference between marital status and five most influencing factors affecting decision making of individual investors.

H_{Oi2} = There is no significant relationship between most influential factors affecting investment decision with that of marital status of respondents.

Table 4.111: T-test for Influence of Marital Status on Investors' Investment Decision

The most influencing factors	Mean Value		t-value	Sig.
	Male	**Female**		
Possibility of having regular dividends and capital gains	3.97	4.27	-2.707	0.04**
Past performance of the company	4.01	4.16	-0.985	0.326
Firms reputation and position within the industry	4.05	4.03	0.151	0.88
Political stability	3.96	4.04	-0.497	0.62
Change in government policies	3.78	3.99	0.702	0.195

**Significant at 0.05

The results of independent sample t test in Table 4.11 shows there is a statistically significant difference for marital status and factor of possibility of having regular dividends and capital gains [t (150) = -2.707, -p value = 0.04] at 0.05 levels. This suggests marital status of investors will make a difference while making investment decision on the basis of possibility of having regular dividends and capital gains.

The result confirms with the work of Bennet*et al.* (2011) where marital status has been found significant of fundamental and market factors which include variables such as dividends, price- earnings ratio, ratios of the company, etc.

However, the results also reveal that past performance of the company [t (150) = -0.985, p value = 0.326], firm's reputation and position within the industry [t (150) = 0.151, p value = 0.88], political stability [t (150) = -0.497, p value = 0.62] and change in government policies [t (150) = 0.702, p value = 0.195] are not significantly related with marital status.

4.7.3. Age and most influencing factors in investment decision

In this section One way ANOVA test has been conducted as it helps in comparing three or more means for statistical significance which indicates whether the means of the groups are equal or not. This test has been used to examine the significance between age groups and most influencing factors affecting decision making of individual investors.

Ho_{i3} = There is no significant relationship between most influential factors affecting investment decision with that of age group of respondents.

Table 4.12: Influence of Age group on Investors' Investment Decision

Most influencing factors	Sum of Squares	df	Mean Square	F	Sig.
Possibility of having regular dividends and capital gains	5.478	3	1.826	2.331	0.077***
Past performance of the company	4.365	3	1.455	1.666	0.177
Firms reputation and position within the industry	0.511	3	0.170	0.171	0.916
Political stability	11.749	3	3.916	4.323	0.006*
Change in government policies	13.539	3	4.513	5.135	0.002*

*Significant at 0.01 ***Significant at 0.10

Table 4.12 shows significant difference for age groups and factors of political stability [F (3,146) = 4.323, p value = 0.002] and change in government policies [F (3,146) = 5.135, p value = 0.002] at 1percentage significant level whereas possibility of having regular dividends and capital gains [F (3,146) = 2.331, p value = 0.077] and has been found significant at 0.10 levels. The result imply that age groups of investors matters when making investment decision based on change in government policies, political stability and having regular dividend and capital gains.

On the other hand, past performance of the company [F (3,146) = 1.666, p value = 0.177] and firm's reputation and position within the industry [F (3,146) = 0.171, p value = 0.916] have insignificant effect for age group.

4.7.4. Test of Homogeneity of Variance

In order to test the assumption of ANOVA i.e. homogeneity of variances, Levene's test has been conducted in this segment. Though two factors have been found significant at 1percentage, the test has been carried out only on one of the factor that has ranked the highest. So the test has been carried out in the factor of political stability.

Levene's test of homogeneity of variance has been employed to check the assumption that the variances of the age groups are equal for assessing the factor of political stability. Table 4.13 presents the result of Levene's test.

Table 4.13: Test of Homogeneity of Variance

Political Stability			
Levene Statistic	**df1**	**df2**	**Sig.**
1.344	3	146	0.262

The results indicate Levene's test was not significant at 0.05 levels [F = (3,146), p = 0.262). Thus, the assumption of homogeneity of variance had not been violated and there is no significant difference between the variances of age groups. So the ANOVA test conducted previously satisfies the homogeneity of variances assumption.

4.7.5. Scheffe's Post Hoc Range Test

As ANOVA test does not specify which groups of means are different from each other, further analysis can be done with a post hoc analysis. This analysis has been carried out on those factors that have been found significant at one percent level. As a part of post hoc analysis, Scheffe's post hoc range test has been used in this study to find out which pairs of means are significant. This test has been conducted in a factor that has ranked the highest. Table 4.14 presents the result of Scheffe's post hoc range test.

Table 4.14: Scheffe's Post Hoc Range Test

Political stability			
		Subset for alpha = 0.05	
Age	**N**	**1**	**2**
Below 20	5	2.8	
20 to 39	110	3.95	3.95
40 to 59	28		4.39
60 &above	7		4
Sig.		**0.059**	**0.779**

The first column of table contains the list of age groups and the second column identifies the number of subjects in each group. The last column identifies the sets of groups that are statistically significantly different from each other. If the groups appear in more than a column then those groups are significantly different. Therefore, based on the above output, a statistical significant difference is present between the age group of below 20 years and other age groups. The age group of below 20 years has marginal significant difference (p= 0.059) with those in age group of 20 to 39 years. However, the means of the age groups in column 2 do not differ significantly.

4.7.6. Educational level and most influencing factors in investment decision

Table 4.15 shows the results of one way ANOVA test between different educational category of respondents and five most influencing factors.

Ho_{i4}= There is no significant relationship between most influential factors affecting investment decision with that of educational level of respondents.

Table 4.15: Influence of Educational Level on Investors' Decision Making

Most influencing factors	Sum of Squares	df	Mean Square	F	Sig.
Possibility of having regular dividends and capital gains	0.241	2	0.120	0.148	0.863
Past performance of the company	1.137	2	0.569	0.639	0.529
Firms reputation and position within the industry	0.615	2	0.308	0.312	0.733
Political stability	5.324	2	2.662	2.822	0.063***
Change in government policies	2.357	2	1.178	1.242	0.292

***Significant at 0.10

The results indicate that factor of political stability [F (2,147) = 2.822, p value = 0.063] shows significant difference among different educational level of the respondents at 0.10

levels. This confirms with the study of Gunathilaka (2014) where education was found to be significant of political stability while making investment decisions.

The factors of possibility of having regular dividend and capital gains, past performance of the company, firm reputation and position within the industry and change in government policies are found to be insignificant of different educational level of the respondents.

4.7.7. Test of Homogeneity of Variance

Levene's test has been carried out to test the homogeneity of variance so to check the assumption that the variances of the educational level are equal for assessing the factor of political stability.

Table 4.16: Test of Homogeneity of Variance

Political stability			
Levene Statistic	**df1**	**df2**	**Sig.**
4.374	2	147	0.014

Table 4.16 presents the result of Levene test where it indicates the test was significant, F (2,147) = 4.374, p value = 0.014) at 0.05 alpha level. Thus, the assumption of homogeneity of variance has been violated. This shows there is a significant difference between the variances of different educational groups. The violation of assumption of homogeneity of variance indicates an alternative ANOVA to be conducted. So Welch test has been conducted and its result has been presented in Table 4.17.

Table 4.17: Robust Tests of Equality of Means

Political stability			
Welch Statistic	**df1**	**df2**	**Sig.**
2.723	2	47.191	0.076

The Welch statistics has not been found significant at 0.05 levels indicating no statistical significance between different levels of education. As there is no difference among the different educational level groups for assessing the factor of political stability, a post hoc analysis has not been performed.

4.7.8. Monthly income and most influencing factors in investment decision

Table 4.18 presents the results of one way ANOVA test between different income category of respondents and the five most influencing factors.

Ho_{i5}= There is no significant relationship between most influential factors affecting investment decision with that of income level of respondents.

Table 4.178: Influence of Monthly income on Investors' Decision Making

Most influencing factors	Sum of Squares	df	Mean Square	F	Sig.
Possibility of having regular dividends and capital gains	0.284	3	0.095	0.115	0.951
Past performance of the company	2.458	3	0.819	0.924	0.431
Firms reputation and position within the industry	1.115	3	0.372	0.375	0.771
Political stability	0.729	3	0.243	0.248	0.863
Change in government policies	7.702	3	2.567	2.794	0.042**

**Significant at 0.05

The result of ANOVA test shows there is significant difference between change in government policies [F (3,146) = 2.794, p value = 0.042] and different levels of monthly income of respondents at 0.05 levels.

The factors of possibility of having regular dividends and capital gains [F (3,146) = 0.115, p value = 0.951], past performance of the company [F (3,146) = 0.924, p value = 0.431], firm reputation and position within the industry [F (3,146) = 0.375, p value = 0.771] and political stability [F (3,146) = 0.248, p value = 0.863] have been found insignificant for different levels of monthly income.

The result confirms with the study of Obamuyi (2013) where past performance of the company is insignificant of income level of the respondents.

4.7.9. Test of Homogeneity of Variances

The test of homogeneity of variances has been conducted with Levene's test to show the effect of monthly income on change in government policies as this factor has only been found significant at 0.05 levels. The result of this test has been presented in Table 4.19.

Table 4.18: Test of Homogeneity of Variances

Change in government policies			
Levene Statistic	**df1**	**df2**	**Sig.**
1.792	3	146	0.151

The Levene's test has been found insignificant [F (3,146 = 1.792, p value = 0.151] at 0.05 levels retaining the assumption of homogeneity of variances and inferring that there is no differences between the variances of four groups of income level.

4.7.10. Scheffe's Post Hoc Range Test

As null hypothesis (Ho_{i5}) has been rejected for change in government policies, post hoc analysis has been performed to identify which groups of means are different in terms of monthly income. Scheffe's post hoc range test has been carried out to identify homogeneous subsets of means that are not different from each other and Table 4.20 presents its result.

Table 4.190: Scheffe's Post Hoc Range Test

Change in government policies		
		Subset for alpha =0.05
Monthly Income	**N**	**1**
Below 25,000	53	3.62
25,000 to 50,000	50	4.12
50,000 to 1,00,000	31	4.03
1,00,000 & above	16	3.69
Sig.		**0.263**

The result indicates there are no differences between any pair of means of monthly income as all groups of income level appear in the same column with a significance level of 0.263 which is greater than 0.05 levels. On the basis of the outcome obtained, it has indicated that the groups of income level are not significantly different from one another.

4.7.11. Occupation and most influencing factors in investment decision

Table 4.21 shows the result of one way ANOVA to examine the significant difference between different occupation of respondents and five most influencing factors.

Ho_{i6}= There is no significant relationship between most influential factors affecting investment decision with that of occupation of respondents.

Table 4.201: Influence of Occupation on Investors' Investment Decision

Most influencing factors	Sum of Squares	df	Mean Square	F	Sig.
Possibility of having regular dividends and capital gains	5.245	4	1.311	1.659	0.163
Past performance of the company	7.485	4	1.871	2.181	0.074***
Firms reputation and position within the industry	1.985	4	0.496	0.5	0.736
Political stability	6.204	4	1.551	1.632	0.169
Change in government policies	5.668	4	1.417	1.509	0.203

***Significant at 0.10

The results indicate out of five most influencing factors only past performance of the company [F (4, 145) = 2.181, p value = 0.074] shows significant difference among different occupational groups of the respondents at 0.10 levels.

On the other hand, factors of possibility of having regular dividends and capital gains, firm reputation and position within the industry, political stability and change in government policies have been found insignificant of occupation.

The result of political stability being insignificant of occupation in this study has confirmed the outcome of Gunathilaka (2014) where political stability has found not to be significant of occupation.

4.7.12. Test of Homogeneity of Variance

Levene's test has been performed on past performance of the company as it has been found significant out of the five most influencing factors. The result of Levene's test is shown in Table 4.22.

Table 4.212: Test of Homogeneity of Variance

Past performance of the company			
Levene Statistic	**df1**	**df2**	**Sig.**
2.123	4	145	0.081

Levene's test has not been found significant [F (4,145) = 2.123, p value = 0.081) at alpha level 0.05 thereby holding the assumption of homogeneity of variances. The result indicates no difference between the variances of different occupational groups. Thus, the ANOVA test previously conducted satisfies this assumption.

4.7.13. Scheffe's Post Hoc Range Test

Scheffe's post hoc range test has been conducted in this section help to make pair wise comparisons between groups. This test has been conducted to test if there exists any significant difference between means of occupations. It has been tested on the factor past performance of the company and its result has been shown in Table 4.23.

Table 4.22: Scheffe's Post Hoc Range Test

Past performance of the company		
		Subset for alpha= 0.05
Occupation	**N**	**1**
Student	28	4.14
Service	34	4.15
Housewife	14	4.57
Self employed	33	4.15
Others	41	3.78
Sig.		**0.054**

Scheffe's post hoc range test on past performance of the company shows there are no differences between means of groups of occupation as indicated by the significance level of 0.054. The multiple pair wise comparisons between groups of different occupation have been found insignificant as there appears only one column under which all types of occupation are placed.

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter contains the summary of overall findings of the study conducted in Nepalese capital market. The following discussions are based on the objectives stated in chapter one. The purpose of this study was to identify the dominant factors affecting stock market that influences individual's investment decision making. The findings of the study have been summarized below.

5.1. Summary of the findings

The study has focused on finding out the dominant factors that influences decision of Nepalese individual investors while making security investment. Among the factors identified in this study, five factors have been found to be dominating the individual investors' decisions. These five factors in order of their importance (ranking) include possibility of having regular dividends and capital gains, past performance of the company, firm's reputation and position within the industry, political stability and change in government policies.

The study has also examined the relationship between socio-economic characteristics of investors (gender, marital status, age, educational level, occupation and monthly income) with that of the most influential factors affecting decision making. Gender has been found significant of factors past performance of the company, firm's reputation and position within the industry at 0.05 levels and regularity of having dividends and capital gains at 0.10 levels. Marital status has been found significant of possibility of having regular dividends and capital gains at 0.05 levels. Age groups have been significant at 0.01 levels for factors political stability and change in government policies whereas they have been significant at 0.10 levels for having regular dividends and capital gains. Educational level has been found significant of political stability at 0.10 levels whereas monthly income has been found significant of change in government policies at 0.05 levels. In terms of occupation, it has been found significant of past performance of the company at 0.10 levels.

This study also shows the investment behavior pattern of individual investors where majority of the respondents have seen to be motivated for long term returns and steady income whereas short term returns and speculation have been considered as the least important. Banking and financial institutions followed by hydropower sector has been considered as the most preferred areas of investment by the investors whereas financial news (printed/online) and NEPSE website have been highly regarded for getting required information about the activities of the security market. Investors have also found to rely on fundamental analysis and market sentiments guiding their investment decision. The result also reveals that respondents have found to be investing in capital market for below a year followed by one to two years.

5.2. Conclusions

Investors have been found influenced by five dominant factors – having regular dividend and capital gains, past performance of the company, firm's reputation and position within the industry, political stability and change in government policies. This implies that investors are concerned about having regular returns from their investment and consider it as the most important factor for their investment. On the other hand, they are also likely to be concerned about status of company in terms of their financial position within the industry. Better financial position of the firm increases the likelihood for investors to have regular returns from their investment. In addition, investors are also concerned about political stability and policies of the supervisory body.

Possibility of having regular dividend and capital gains, past performance of the company and firm's reputation and position within the industry are considered important while making investment decisions based on gender. On the other hand, marital status of the investors has found to make a difference while making decision based on the likelihood of having regular dividends and capital gains. The educational level have been found to significantly influence the investors decisions on the basis of political stability in the country whereas in terms of occupation, past performance of the company have been found to influence the investors decisions. With regards to monthly income, investors' decision has been found to be influenced by the changes in government policies.

After analyzing the investors' behavior in Nepalese stock market, it has been observed that small and occasional investors tend to dominate the market bringing in more volatility. As investment is taken as an alternative source of income, investors want to have higher gains from their investment without taking higher risks. So out of the savings and monthly income, most of the individuals invest in security market in order to have higher returns from their investment and securing future in the long run.

5.3. Recommendations

On the basis of the major findings and analysis of the investors' behavior in Nepalese capital market, following recommendations have been made.

i. To the stakeholders

- The study has revealed dominant factors influencing investment decision which include possibility of having regular dividend and capital gains, past performance of the company, reputation and position of the firm within the industry. Companies have been recommended to take into account these factors while making new issuesso to attract large number of investors.
- It has also been identified with this study that investors prefer to invest in those securities that provide them with regular income and dividend. Thus, companies have been recommended introduce more investment options for investors encouraging them to invest.
- It has also been observed that investors are attracted towards having regular income and returns in the long run. On the other hand, they seem to depend heavily on fundamental analysis and market sentiments while making decisions. So investors have been recommended to use combinations of while making their investment decisions.

ii. To the Regulators

- As a regulator, SEBON should ensure free availability of information to all the investors so they are encouraged to invest more.
- The study has also revealed that there are small investors having lower income investing in the capital market so policy makers have been recommended to introduce protection measures and mechanisms through which their rights and interests are protected.

iii. For further study

- The study only includes opinions of 150 respondents. So the results from the analysis may not represent the whole population. The future researcher has been recommended to take more sample size and of specific age group and income level.
- Only seventeen factors have been taken into account to determine dominant factors influencing investment decision of investors. The future researcher has been recommended to consider additional variables for further analysis.

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ANNEX

Annex I

Address	Frequency	Percent
Inside Valley	81	54
Outside Valley	69	46
Total	**150**	**100**

Annex II

Perform specific analysis	Frequency	Percent
Yes	112	74.7
No	38	25.3
Total	**150**	**100**

ANNEX III

This research is being carried out for partial fulfillment of the requirement for the degree of Master of Business Studies (MBS). The objective of the study is to find out the factors influencing investment decision in Nepalese stock market. Your true and accurate feedback is highly appreciated in completion of this research.

Permanent Address: ……………………………………………………………………….

Please tick (✓) for each criteria group.

Gender	Age	Marital Status	Education Level	Monthly Income
a. ☐Male b. ☐Female	a. ☐Below 20 b. ☐20 to 39 c. ☐40 to 59 d. ☐60 and above	a. ☐Single b. ☐Married	a. ☐Below Bachelors b. ☐Bachelors c. ☐Masters and above	a. ☐Below 25,000 b. ☐25,000 to 50,000 c. ☐50,000 to 1,00,000 d. ☐1,00,000 and above

1. Occupation

a. Student ☐ b. Service ☐ c. Housewife ☐ d. Self-employed☐

e. Others (Please Specify)……………………………

2. How long have you been investing in stock market?

a. Below a year ☐ b. 1-2 years ☐ c. 2-3 years ☐ d. 3-4 years ☐

e.4& above☐

3. How do you categorize yourself as an investor?

a. Active investor☐ b. Passive investor ☐ c. Occasional investor ☐

4. What are your preferred areas of investment sector? (Please select as many as you wish)

a. Banking and Financial Institutions ☐ b. Hotel/Service ☐ c. Manufacturing ☐

d. Trading Company ☐ e. Hydropower ☐

5. Which sources of information you use to analyze for making investment? (Please select as many as you wish)

a. Financial News (Printed/online)☐ b. NEPSE Website ☐ c. Brokerage Firms☐

d. Annual reports and announcements ☐ e. Other Investors ☐

6. Please rank the following purposes of your investment in stock market. (*1 being the highest and 4 being the lowest*)

a. Short term returns ☐

b. Long term returns ☐

c. Speculation ☐

d. Steady income (Steady income) ☐

7. Which one of the following political factor do you think has most influential impact in your investment decision?

a. Government policies ☐ b. Frequent change in government ☐

c. Major internal political events ☐ d. International politics☐

8. Do you perform any specific analysis before deciding to invest in any securities?

a. Yes ☐ b. No ☐

9. If yes, which of the following techniques do you use while making investment decision?

a. Technical Analysis(Using past price movement) ☐b. Fundamental Analysis(Using financial data)☐

c. Market sentiment (Media, recommendation and rumors) ☐

10. To what extent you agree/disagree to the following factors when you decide to invest-

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Information Factors					
a. Past performance of the company					
b. Firms reputation and position within the industry					
c. Possibility of having regular dividends and capital gains					
d. Marketability of information					
e. To get more voting rights					
f. Availability of credit					
Economic Factors					
g. Influence of prevailing exchange rate					
h. Level of market interest rates					
i. Inflation rate					
Psychological Factors					
j. Immediate gains from investment					
k. Gut feeling of economy					
l. Advice from family and friends					
m. Advice from stock broker					
n. Diversification of investment					
o. Recommendation of financial advisors and analyst					
Political Factors					
p. Change in government policies					
q. Political Stability					

THANK YOU!