DECISION MAKING BEHAVIOUR OF INVESTORS

IN NEPALESE STOCK MAREKT OF

KATHMANDU VALLEY

A

Thesis

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LETTER OF RECOMMENDATION

This thesis entitled *Decision Making Behavior of Investors in Nepalese Stock Market of Kathmandu Valley* has been prepared by **Mr. Jagadish Budhathoki** under my supervision. I hereby recommend this thesis for examination by the **Thesis Committee** as a partial fulfillment of the requirements for the **Degree of Master** of **Arts in Economics**.

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Dr. Yogesh Ranjit

Associate Prof.

(Thesis Supervisor)

Date: 2077/06/25 (11/10/2020)

APPROVAL LETTER

We clarify that this thesis entitled *Decision Making Behavior of Investors in Nepalese Stock Market of Kathmandu Valley* submitted by **Mr. Jagadish Budhathoki** to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the degree of **Master of Arts** in **Economics** have been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the Degree.

Thesis Committee:

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(External Supervisor)

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Date: 2077/06/30 (16/10/2020)

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TABLE OF CONTENTS

List of Tables

List of Figures

ABBREVIATIONS

NEPSE	-	Nepal Stock Exchange
SEO	-	Seasoned Equity Offering
IPO	-	Initial Public Offering
ANOVA	-	Analysis of Variance
FPO	-	Further Public Offering/ Follow on Public Offer
SPSS	-	Statistical Package for the Social Sciences
SDC	-	Security Data Company
BFMI	-	Behavioral Finance Micro
BFMA	-	Behavioral Finance Macro
SEBON	-	Securities Board of Nepal
NRB	-	Nepal Rastra Bank
MOF	-	Ministry of Finance
CEDECON	-	Central Department of Economics
CAPM	-	Capital Asset Pricing Model
BoD	-	Board of Directors
SD	-	Standard Deviation

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Decision making behavior of investors of capital market is affected by various factors. The decision-making behavior of investors may vary with one to another and they are hard to generalize. Contemporary finance, also referred to as standard finance, is explained as the body of knowledge built on the pillars of the Arbitrage Principles of Miller and Modigliani (1958), Portfolio Principles of Markowitz (1952), Capital Asset Pricing Model (CAPM) of Sharpe (1964), and the Option-Pricing Theory of Black, Scholes (1973) and Merton (1976). At the base of this contemporary finance theory, there is risk-return trade-off which is so fundamental in financial economics that it could be described as the "First fundamental law of finance" (Ghysels, Clara, & Valkanov, 2005).

Financial market allows both individual and institutions to invest on different securities. As a result, be it small or big investors, they invest their funds into stock market certainly expecting some returns. Big investors like organizations and institutions often invest huge funds into the market even influencing the functioning of the market sometimes. But there are investors who invest in small amounts. Their individual investment might be small, but the group of such individual investors has significant portion of investment in the financial market.

The principal objective of an investment is to make money where investment was based on estimated returns. The variation between this estimated return and actual return is the major factor that forced researchers to look for a reason. Then, they identified that it is caused by fundamental mistakes in the decision-making process. In other words, they make irrational investment decisions. In recognizing these mistakes and means to avoid them, to transform the quality of investment decisions and results, they realized the impact of in investment decision behavior. Several years ago, the researchers began to study in a field of finance to understand the psychological processes driving these mistakes, known as behavioral finance. Behavioral finance seeks to understand and predict systematic financial market implications of psychological decision process (Olsen, 1998).

The study of behavioral finance can be defined as how psychology affects financial decision making and financial markets, it is a science regarding how psychology influences financial market. This view emphasizes that the individuals are affected by psychological factors like cognitive biases in their decision making, rather than being rational and wealth maximization (Shefrin, 1999).

Behavioral finance is often described as the study of the influence of psychology on the behavior of financial practitioners and the subsequent effect on markets. Behavioral finance challenges the theory of market efficiency by providing insights into why and how market can be inefficient due to irrationality in human behavior. Behavioral finance helps us better understand the behavior of investors and real market practices. It thus can help investors make better investment decisions in the very complex and complicated financial marketplaces.

There are several irrational behaviors shown by investors in the market that cause the variation between the actual and estimated return for the investment. Some of such behaviors are: Heuristic decision process also known as rule of thumb, where investors go for trial and error method for making decision usually in uncertainty, overconfidence of the investors, gambling fallacy; where individual invest irrationally on risky stock expecting the situation to reverse, representativeness; where investor perceives the past event will continue in future, ignoring the market changes, anchoring, where one relied too heavily on single piece of available information and so on. This kind of common irrational behavior shown by investors often causes the investment theory to face unexpected outcome. This research particularly aims to identify the behavioral factors that play a vital role in decision-making process of individual investor based on the Nepalese investors.

1.2 Statement of the Problem

Due to the positive correlation between stock market and economy, the rise of stock market positively affects the development of the economy and vice versa. Thus, the decisions of investors on stock market play an important role that influences the economic growth and development. To understand and give some suitable explanation for the decision-making behavior of investors in Nepalese context, it is important to explore which behavioral factors influencing the decisions of individual investors at Nepalese stock market. The attitude towards investment on stock market vary from

person to person depending on personal characteristics, needs, wants, knowledge, experience, risk tolerance, suggestion and others.

The demographic factors like age, marital status, gender, income level, occupations and qualifications have a major impact on investment decision of individual investors. It is a matter of research that how the individual investors make their investment decisions and what factors they do take into consideration when they are investing. To find out whether the investors are familiar with the best investment practices that are ascribed to in the traditional standard finance. The study also sought to find out the results of the decision making of individual investors. Whether they proved to be profitable or not as emerged from the financial evaluation of the companies their investment activities were centered on. The study basically focused on the factors influencing decision making behavior in stock market of individual investors of Kathmandu Valley in Nepalese stock market. This study has dealt with the following research questions:

a. What are the major factors affecting decision making behavior of investors in Nepalese Stock Market?

b. What is the relationship between investment decision making behavior of investors and its major determinants in Nepalese Stock Market?

1.3 Objectives of the Study

The general objective of the study is to examine the decision-making behavior of investors of Kathmandu Valley in Nepalese stock market. However, the specific objectives of the study are -

a. To assess the major factors that determines the decision-making behavior of investors of Kathmandu Valley in Nepalese stock market.

b. To examine the relationship between investments decision-making behavior and its major determinants of investors of Kathmandu Valley in Nepalese stock market.

1.4 Hypotheses of the Study

The study estimates the following null and alternative hypotheses to be tested:

a. **Null Hypothesis (H_0)**: There is no significant relationship of investment decision making behavior of individual with personal attributes, social interactions, company profile, regulatory policies and firm's image in NEPSE.

b. **Alternative Hypothesis (H$_1$):** There is significant relationship of investment decision making behavior of individual with personal attributes, social interactions, company profile, regulatory policies and firm's image in NEPSE.

1.5 Importance of the Study

This study provides an overall view of the factors influencing the decision-making behavior of individual investors of Kathmandu valley in Nepalese stock market. The findings of any well planned and effectively executed study may directly or indirectly contribute to individuals from different range of individuals, institutions and other stakeholders. It principally contributes to all other the concerned parties.

This study aims to explain the factors affecting decision making of individual investors in Nepalese Stock Market. It intends to examine the factors affecting individual decision such as personal attributes, social interaction, company profile, regulatory policy changes, and market noise. This study covers the knowledge gap of previous studies, as no such research work related to behavioral analysis in Nepalese stock market has been identified during the study period. Group of people working at policy making and regulatory authorities such as NEPSE, SEBON, NRB likewise researches, academicians, investors and stockbrokers are going to be benefited after the completion of this research if they have the interest on it. It will also be beneficial for the future researchers of the same field as a reference for them.

1.6 Limitations of the Study

The study is bounded with following limitations:

a. The data and information were gathered only from Kathmandu Valley. Therefore, the results cannot be generalized for the entire market participants of the stock market.
b. The study has analyzed only the investment behavior individual investors escaping institutional investors of NEPSE.
c. The result is generalized from the sample size of 120 individual investors are taken from the infinite population size.

1.7 Organization of the Study

The study is divided into five chapters. The first chapter of the study is introduction which includes background of the study, statement of the problem, objectives of the study, hypothesis of the study, importance of the study, limitations and organization of

the study. Second chapter is the review of literatures. The chapter includes the review of the studies in international context and Nepalese context. Besides, research gap is also included in this chapter. The third chapter of the study is the research methodology. This chapter comprises of conceptual framework, research design, nature and sources of data, population, sample and sampling procedure, tools and method of data collection, reliability and validity of data, tools and method of data analysis, model specification and variable specification.

Likewise, fourth chapter of the study is data analysis which is the body part of the study. It deals with analyzing the processed data with the help of stated tools and techniques for solving the research questions. The chapter includes the major features of sample units including age, gender, education and occupation etc., major determinants of decision making behavior of investors, and relationship between behavioral factors and investment decision. Finally, the last chapter of the study is comprised of major findings, conclusion and recommendations.

CHAPTER - II
REVIEW OF LITERATURE

This chapter deals with review of similar studies related to the topic of the study. This helps to build a foundation for the study by identifying the previous results and the gap left. Here major papers associated with individual investor's decision making in stock markets from wide range of authors are reviewed. This chapter consists of three parts including international context, Nepalese context and research gap.

2.1 International Context

Lewellen, Lease and Schlarbaum (1977) found that lack of realization of separate identity of the primary market investors from the total capital market investors had created a lot of gap in the understanding regarding the primary market investors. Though majority of the primary market investors participated in the secondary market the psychological status while investing in the primary market can be different from their psychological status while investing or participating in the secondary market. Thus, for this reason, this study is based on the primary and secondary market investors. Lewellen had also tried to find out the investment strategy pattern among individual investors of United States of America along with the impact of the behavioral variable in the strategy pattern. The study found that investment behavior as a direct and systematic function of personal circumstances. It identified investors from a relatively short list of standard demographic attributes and that attributes determined the action of the investor as well as the way of doing something, which is investment pattern. The age, income level, and gender of the investor were the most prominent factors for the difference in behavior in this study, backed by the significant influences of occupation, marital status, family size and educational background.

Ritter (1988) proposed number of frameworks to explain turn-of-the-year effect on buying and selling behavior of individual investor. The main purpose of this study was to examine the buying and selling behavior of individual investors at the turn of the year. For this, the study is divided into five sections, in Section I, the stylized facts about the turn-of-the-year effect are summarized, in section II the parking-the-proceeds hypothesis are presented and discussed about the empirical implications, in section III a new data set, the daily buy/sell orders of individuals' accounts at one of the nation's

leading brokerage firms are described and in section - IV those data are used to provide evidence that is consistent with the parking-the-proceeds hypothesis and section V contained a summary and conclusions. The analysis explains why small stocks do well at the turn of the year. It does not explain why, over the course of a year, small stocks have higher returns than large stock. Findings show that December's net selling abruptly was switched to net buying at the turn of the year. The year-to-year behavior of this buy / sell ratio was strongly related to the magnitude of the turn-of-the-year effect.

Warren, Stevens and McConkey (1990) found that demographics are used to segment the market for financial and economic services, but lifestyle characteristics help in identifying individual investor's financial needs more precisely. Lifestyle dimensions also helps in differentiating between the investor's investments such as stocks and bonds. The analysis revealed that those investors who has little investments they mostly concentrated on the stocks in bonds which can be described as volunteers whereas, those investors who had heavy investments didn't get involved in any community organization and volunteering.

Nagy and Obenberger (1994) conducted a survey on determining the underlying criteria that affect decisions of individual equity investors with substantial holdings in fortune 500 firms. According to empirical evidence, wealth-maximization criteria were found significant among respondents while the effect of recommendations of brokerage houses, individual stockbrokers, family members and co-workers were identified as insignificant. The research findings examined factors influencing investor behavior, suggested that classical wealth – maximization criteria are important to investors, even though investors employ diverse criteria when choosing stocks. Contemporary concerns such as local or international operations, environmental track record and the firm's ethical posture appear to be given only cursory consideration. The recommendations of brokerage houses, individual stockbrokers, family members and coworkers go largely unheeded. Many individual investors discount the benefits of valuation models when evaluating stocks.

Epstein (1994) examined the demand for social information by individual investors. The results indicate the usefulness of annual reports to corporate shareholders. Furthermore, most of the shareholders surveyed also want the company to report on corporate ethics, employee relations and community involvement.

Benartzi and Thaler (1995) highlighted that if people use a one-year horizon to evaluate investments in the stock market, then the high equity premium is explained by myopic loss aversion. Moreover, prospect theory does not suggest that in this case riskless real interest rates need be particularly high.

Daniel, Hirshleifer and Subrahmanyam (1998) and Hong and Stein (1999) predicted short-run return continuations and long-run return reversals. The study argues that informed investors are overconfident about the private signal they receive about a stock's value. Biased self-attribution reinforces their overconfidence when public information agrees with their private information. When public information is not in agreement with their private signal, biased self-attribution leads to dismissal of the information as noise.

Usul, Bekciand and Eroglu (2002) examined the factors affecting stock trading decisions of investors. They have determined that the factors that investors were most affected by are socio-economic variables when buying stocks. It is stated that the socio-economic factors refer to personal and environmental changes. Other results are share investment was 20 percent of all investments, the youngest investors were the most investors, the shareholding time increase as the income level increased, the elderly investors were quick to remove investments and take no risks, women were less likely to take risks, education level and risk taking rate increased as income increased.

Shiller (2002) showed that factors like age, marital status, gender, income level, occupations and qualifications have a major impact on investment decision of investors. Recent literature in empirical finance is surveyed in its relation to underlying behavioral principles which come primarily from psychology, sociology and anthropology. The behavioral principles are: prospect theory, regret and cognitive dissonance, anchoring, mental compartments, overconfidence, over and under reaction, representativeness heuristic, the disjunction effect, gambling behavior and speculation, perceived irrelevance of history, magical thinking, quasi-magical thinking, attention anomalies, the availability heuristic, culture and social contagion, and global Culture.

Kim and Nofsinger (2003) examined the behavior and performance of individual investors in Japan. In empirical tests using market level data, the study found that Japanese individual investors own risky and high book to market stocks, trade frequently, make poor trading decisions and buy recent winners. The behavior and

performance of individual investors in Japan showed specific investor behaviors such as overconfidence, feedback trading and the disposition effect were identified. The study found that Japanese individual investors owed stocks with high risk, large book-to-market (BM) ratios, high trading volume, and earn low returns.

Hodge (2003) investigated the perception of earning quality of investors, auditor independence and the usefulness of audited financial information. The study defined the earning quality as the extent to which actual and reported earning differ. The study analyzed that earning quality and auditor independence have declined over time. It also considers whether the perception of earning quality has decreased due to reliance on the audited financial statement and its usage while deciding. It has found that perceived earning quality declined with the passage of time as the perceived independence of auditor and the reliability of the financial information has decreased. In addition, low perception of earning quality is related with greater reliance on financial statement has increased for decision making.

Kadiyala and Rau (2004) studied investor reaction to corporate event announcements. They concluded that investors appear to under-react to prior information as well as to information conveyed by the event, leading to different patterns. The behavioral finance literature has proposed two contradictory models of irrational investor behavior. In the first model, investors tend to overreact to information, leading to a pattern of long-term return reversals when firms announce corporate events such as new issues of stock. In the second model, investors under react to information, leading to long term return continuations when firms announce corporate events such as open-market share repurchases or cash-financed tender offers. Behavioral models have been viewed with skepticism partly because they do not reconcile why investors seemingly overreact to a corporate event such as a seasoned equity offering, while seeming to under react to an event such as a share repurchase. For instance, Fama (1998) argues that behavioral models cannot explain the long run abnormal return evidence since the overreaction of investors to some events and under reaction to others implies that, on average, investors are unbiased in their reaction to information. Loughran and Ritter, (1995) argue that 16 investor overreaction explains the negative long-run abnormal returns following a seasoned equity offering, a conclusion based on the good past performance of firms announcing an SEO.

Al-tamimi (2006) aimed at identifying factors influencing the UAE investor behavior. Six factors were found to be the most influencing factors in UAE investor behavior. The most influencing factors was in order of importance: expected corporate earnings, get rich quick, stock marketability, past performance of the firm's stock, government holdings and the creation of the organized financial markets. On the other hand, five factors were found to be the least influencing factors on the UAE investor behavior. The least influencing factors in order of importance were expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions, gut feeling on the economy.

Hussein (2006) performed the study with the aim to explore the UAE investor behavior, representing the first attempt to be undertaken in the UAE. The study is important for individual investor, companies listed in Dubai Financial Market and Abu Dhabi Securities Market and Government. To collect the primary data modified questionnaire was used. The developed questionnaire included thirty-four items, where ten items correspond to self-image/ firm-image coincidence category, seven items correspond to the accounting information category, seven items correspond to neutral information category, four items to advocate recommendation and six items to personal financial needs. Seven-point Likert scale was used for the response purpose. Six factors were the most influencing factors on the UAE; corporate earnings get rich quick, past performance of the stock, stock marketability, government holdings, and the creation of the organized financial market. Five factors were found the least influencing factors, expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions and gut feeling on the economy. Two factors had unexpectedly least influence on the behavior of the UAE investor behavior, namely the religious reasons and the factor of family member opinions.

Hoffmann (2007) stated that traditional finance theories assume that investors only evaluated risk and expected returns when making investment decision. The respondents of Hoffmann's online investment survey indicated that besides financial needs, they also strive to satisfy more socially oriented needs through investing. These investors like to identify themselves with other investors and enjoy participating in investment-related conversations. Moreover, these investors considered investing to be a nice free time activity. Hoffmann also investigated the effects of striving to satisfy these different

needs on the decision-making behavior of these investors. It was found that investors for whom socially oriented needs are important also attribute more value to the opinion of others about their investment decisions and request more information from these others before making their own decisions.

Chandra (2008) investigated investor psychology and different aspects of behavior in decision making. The basic purpose of this study is to find the impact behavioral aspects and the relationship between investor's behavior and risk. The study found out that investors are not always rational unlike the theories of standard finance. They are subject to several cognitive and emotional errors; they are suffering from several biases while taking the investment decision. Due to different investors biases their perception change about risk taking. Results show that investors who are risk averse in their characteristics show the risk seeking behavior by holding the losing investments.

Waweru, Munyoki and Uliana (2008) indicated that price change of stocks has impact on their investment behavior at some level. It states that investors prefer buying to selling stocks that experience higher price changes during the past two years. Change in stock price in this context can be considered as an attention-grabbing occurrence in the market by investors. Additionally, it proposes that investors are impacted by herding effect and 11 tend to move in the same flow with the others when price changes happen. Besides, investors may revise incorrectly estimates of stock returns to deal with the price changes so that this affects their investment decision-making.

Menkhoff and Nikiforow (2009) provided evidence on the hypothesis that many behavioral finance patterns are so deeply rooted in human behavior that they are difficult to overcome by learning. They tested this on a target group which has undoubtedly very strong incentives to learn efficient behavior, i.e. fund managers. They divided this group into endorsers and non-endorsers of behavioral finance. Endorsers do, indeed, view markets differently as they regard stronger influences from behavioral biases. However, when it came to the perception of one's own behavior the endorsement of behavioral finance becomes almost meaningless, even though endorsers otherwise do adapt behavior towards their conviction.

Field and Lowry (2009) examined the investments of institutional investors within this class of firms characterized by high information asymmetry and substantial dispersion in returns. Their data set consisted of firms that went public between 1980 and 2000, as

listed on the Securities Data Company (SDC) database. For each firm, they collected the offer date, offer price, initial file range, proceeds, underwriter name(s), whether the issue was backed by a venture capitalist, and the overallotment option (if available) from SDC. Ranks ranged from zero to nine, with higher ranks representing higher quality underwriter. They concluded that consistent with institutions having an advantage over individuals, newly public firms with the highest levels of institutional investment significantly outperforms those with the lowest levels. While prior literature has attributed much of institutions' higher returns around various corporate events to private information, they found that much of the difference simply reflects better interpretation of readily available public information.

Dash (2010) studied factors influencing investment decision of generations in India. This study aimed to gain knowledge about key factors that influenced investment behavior and ways these factors impact investment risk tolerance and decision-making process among men and women and among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs were very different. It was by using different age groups along with Gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, this study was an attempt to find out factors 12 which affected individual investment decision and differences in the perception of investors in the decision of investing based on age and based on gender. The study concluded that investor's age and gender predominantly decide the risk-taking capacity of investors.

Chong and Lai (2011) examined the factors influencing equity selection process and how these factors are related to return using a sample size of 199 in Malaysia. The findings of the study showed that Malaysian customers placed much emphasis on "neutral information" which is formed by the strong contribution of 'past performance of firm's stock', 'recent price movements', and 'firm status in industry'. Other important principal factors are 'accounting information', 'social relevance', and 'advocate recommendations'. Moreover, in their study it was found that social relevant factor was found to be significant difference between different age groups of the respondents.

Kahyouglu (2011) measured the effects of gender on investment decisions. In making this measure, the role of gender on psychological and emotional factors was identified.

During the study, 31 individual investors in Stock Exchange of Istanbul benefited from the share purchase and sale data they had made from 2007 to 2009. As a result of the study, it has been revealed that male and female investors behave quite differently while making investment decisions. The most important of these differences are as more frequent transactions were made by men more consistent transactions were made by men, and there is less diversification in women's portfolio.

Demir, Akcakanat, and Songur (2011) investigated the impact of psychologist's investment decisions on individuals investing in stocks in Istanbul Stock Exchange. The study was carried out by face-to-face questionnaires and random sample method of 270 individual investors in Lake District between 01.11.2009-10.12.2009. As a result of the study, it was found out that investor was influenced by some psychological factors such as media, friend environment and they were able to demonstrate herd behavior and failed to make rational decisions. As a result, anomalies were formed in the market.

Aduda, Odera, and Onwonga (2012) studied the behavioral finance that investigates the cognitive factors and emotional issues that impact the decision-making process of individuals, groups, and organizations. A research done at Nairobi Stock Exchange, Kenya puts light on the basic behavioral finance including overconfidence, cognitive dissonance, regret theory, and prospect theory. The paper seeks to identity such behaviors from individual investors as they set out to make their investment decisions. This study used overconfidence, cognitive dissonance, regret theory and prospect theory. Specifically, the study seek to find out how the individual investors make their investment decisions i.e. what factors do they take into consideration as they go about investing; Find out whether the investors are familiar with the best investment practices that are ascribed to in the traditional standard finance.

The study also seeks to find out the results of the individuals' investment decisions. It was found out that there were varied behaviors and financial performance of individual investors in Kenya. Some investors exhibited rational behavior in making their investment decisions. This can be seen in investors who decided to go for stocks from companies with good financial performance and dominant niche the stocks market. On the contrary, there were investors who were poised to realize negative results due to irrationality and herding behavior.

Ali and Tariq (2013) found that investor behavior is central concept in behavioral finance which analyzes the influence of various factors on individual equity investor decision making. Therefore, this paper examined the influence of economic, and behavioral, factors in shaping the investment behavior of individual equity investors in Pakistan. The factors included classical wealth maximization, accounting information, self-image/firm-image coincidence, neutral information, advocate recommendation and personal financial needs. The study found strong influence of self-image/firm-image coincidence, neutral information, and advocate recommendation on individual equity investor decision making, whereas no influences of factors like classical wealth maximization, accounting information and personal financial needs were found on individual equity investor's decision making in the context of Pakistan.

Bashir et al., (2013) identified the factors that influences the Pakistan's individual investor behavior, with thirty-four items under the five categories of independent variables were taken that influences the individual investment decision making behavior that belongs to self-image/firm image, neutral information, accounting information, personal financial needs and advocate recommendations. The result exemplified that all the considered variables are to some extent affecting the decision-making behavior of investor and accounting information category of variables is most influencing while advocate recommendation is the least influencing category. Frequency table of significantly influencing variables shown that out of the total 33 items the 6 most influencing items which belongs to the self-image/firm's image and accounting information like dividend paid, reputation of firm, feelings for a firm's products and services, get rich quick, firm's involvement in solving community problems, and firm's status in industry. Also factors that were found to be least influencing with respect to order of importance were friend or coworker recommendations, opinions of the firm's majority stockholder, recent price movement in the firm's stock, Religious Reason, Family member opinion and Broker recommendation related to other variable categories.

Hoffmann, Post, and Pennings (2013) examined investor's perceptions and behavior during the financial crises period of 2008-2009 by combining monthly survey data with matching business records. The study measured how individual investor perceptions change and how trading and risk-taking behaviors are affected. It appears that investor's perceptions fluctuate significantly during the crises, and there is less deviation from

risk tolerance and return expectations than risk expectations. In the worst period of crises, investor's perceptions improved. Significant fluctuations in buying and selling behavior and risk-taking behavior resulting from changes in investor perceptions were observed. As a result, it was found individual investor continue to actively trade but do not risk investment portfolio during crises.

Jagongo and Mutswenje (2014) found that the most important factors that influence individual investment decisions were; reputation of the firm, firm's status in industry, expected corporate earnings, profit and condition of statement, past performance firms stock, price per share, feeling on the economy and expected dividend by investors. The study was conducted on the 42 investors out of 50 investors that constituted the sample size. To collect data researcher used a structured questionnaire that was personally administered to the respondents. The respondents were the individual investor. In this study, data was analyzed using frequencies, mean scores, standard deviations, percentages, Friedman's test and factor analysis techniques. The findings from this research would provide an understanding of the various decisions to be made by investors based on the prevailing factors and the eventual outcomes for each decision and would identify the most influencing factors on the investors' behavior.

Kimeu, Anyango, and Rotich (2016) stated that investment decision making is influenced by either modern or traditional finance. In traditional finance the investor must determine the intrinsic value of a security to establish whether it's overvalued, correctly or undervalued. The tradition of traditional finance demands uses of mathematical formulae which some investors may have limited knowledge. In the modern finance theory commonly denoted as behavioral finance applies psychological knowledge to evaluate the investment decision at investors' disposal. The study sought to examine the behavioral factors influencing individual's investment decision in Nairobi Securities Exchange. Specifically, the research sought to examine the relationship between prospect factors, heuristic factors, herding factors, rationality and investment decision. The research was guided by prospect, herding, heuristic and Expected Utility theories of behavioral finance. The results of the study show that investment decisions in the Nairobi Securities Exchange are positively influenced by behavioral factors including prospect, herding, heuristic and rationality.

Akbar et al., (2016) identified the factors that affect the investment decision making of investors in Islamabad Stock Exchange. The study used adapted questionnaire to gather

the primary data from 253 individual investors of Islamabad stock exchange. The findings of the study revealed positive significant relationship between advocate recommendations, neutral information, self-image/firm image coincidence and individual investor investment decision making. The study did not find any evidence on relationship between accounting information, classical wealth maximization and personal financial needs. It can say that most of investors in Pakistan are not making rational decisions based on accounting information and most of times their decisions depend on the recommendations of stockbrokers, co-works, friends and family. It is suggested that higher authorizes should focus on this issue because stock markets can be easily manipulated if investors rely on other recommendations while making investment decisions.

Khanam (2017) presented the association between demographic characteristics of general investors such as age, education level, occupation, experience and income level and the stock market investment amount. Survey techniques were applied on a sample size of 300 general investors selected from Dhaka Stock Exchange and the average amount of investment per year has been determined from the structured questionnaire. The frequency table was used to demonstrate how many investors made this particular investment. To identify whether there is any interaction between two demographical characteristics on the yearly average investment amount of the investors two-way ANOVA test was employed. Results indicate that selected demographic characteristics make difference in the average amount of investment in different types of shares. The study explores for the first time the link between demographic characteristics and investment number of general investors. The study concluded that the different demographic factors interaction has a positive effect on yearly average amount of investment of general investors.

2.2 Nepalese Context

Kadariya (2012) identified the market reactions to tangible information and intangible information in the Nepalese stock market. To come across this objective, the primary data consisting 20 questions were distributed in different location within the Kathmandu valley through the (online) email method, out of which only 27 percent of the respondents were collected and considered as reasonable. The factor analysis has been employed for the data analysis along with descriptive statistics and correlation analysis. The researcher found there are limited investors who are using their own set

16

of skills and analytical power in investment decision and most are driven by the media, friends, market noises and informal talks. Besides this, there are five most prominent factors responsible for affecting the investment decision like; tangible components such as dividends, earnings, number of equities, and book-to-market ratio and the intangible component like political party led government.

Thapa (2013) found that investors have no preference in the types of market for investment, but they are motivated for short term profit. The results indicate that increase in the size of investment leads to decrease in the confidence level of investors. It is also seen that size of investment has positive impact on the level of involvement and negative effect on investors' optimism, and again the results are statistically significant.

Adhikari and Phuyal (2016) examined the political unrests and fluctuations of the stock market in Nepal. They attempt to fill this research deficit by performing a threefold analysis on the influence of politics on Nepali share market. First, they performed a survey on stock market investors and brokers for identifying probable factors that account the volatility of stock market. Majority of the investors and brokers think political unrest in the most influential determinant of stock market volatility. Second, they performed multivariate analysis on a quarterly dataset over one decade to test whether disturbances in stock index could be explained by a set of economic variables. The results showed such relation could not be described a linear model suggesting there are other factors other than the economic variables that is missing from the model; the missing variable may be a properly quantified variable representing political instability. Guided by this possibility, in the third step, they historically trace the relation between political instability and stock market volatility. The historical analysis shows a clear relation between political and stock market upheavals.

Khatri (2019) analyzed the dynamic relationship among the stock market and macroeconomic factors such as nominal domestic variables (inflation, money supply and interest rate), real economic activity (gross domestic product) and foreign variable (exchange rate and foreign direct investment) of Nepal by using Johansen and Juselius method of multivariate co-integration for the period Mid-July 1994 to Mid-July 2015. This study found that the stock prices are positively and significantly related to money supply. Real economic activity and interest rate have insignificant and negative relationship with stock prices. Similarly, foreign direct investment, inflation (CPI) and

exchange rate with US dollar have a positive and insignificant relationship with Nepalese stock market. The study estimated that there is no significant effect of macroeconomic variables to the Nepalese stock price in the short run and suggested that Nepalese market is not efficient in both the short run and the long run.

2.3 Research Gap

The review of given literatures has given an idea that there is an influence of various factors on the investment behavior of individual investors which consequently affect the market too. This study particularly attempts to identify the key determinants that affect the investment decision of individuals in Nepalese stock market. There are several researches done on the behavioral finance and its impact on individual decision making in foreign countries but not many such researches have been done in Nepalese context. Behavioral finance is not so a discussed topic in Nepalese market as researches is made plenty in mainstream finance. This study basically focused on individual investors so that the big investors like companies, trading houses, and business buyer's behavior are not studied even though majority of the stock market are affected by these bulk buyers. Moreover, due to the resource limitation of the survey, the study is based on the individual investors of Kathmandu valley only. Research can be expanded to national level for more authentic outcomes.

Initially, it is predicted that personal attributes would be the major affecting factor along with company profile. However, social interaction and regulatory policies seems to be the major determinants of investor's decision. Behavioral finance is an emerging topic in the financial economics so that the hypothesis developed, and factors considered can be subjective and many important factors might have been unobserved.

CHAPTER - III
RESEARCH METHODOLOGY

Research methodology describes the entire methodological procedure and approaches employed in the study. It provides a basic framework on which the study is based. Research methodology is the analysis of specific topic by using proper method. Research methodology is a way to systematically solve the research problem. Mostly, in the case of the empirical studies, the consistencies of the findings are solely based on empirical methodologies it has employed. Research methodology sets overall plan associated with the study which may include publications research, interview, survey and other research techniques and could include both present and historical information. It provides a basic framework on which the study is based. Before presenting the analysis and interpretation of data, it is necessary to describe the research methodology first. Therefore, this chapter focuses on research design, nature and sources of data, selection of samples, method of analysis and the methodological limitations of this study and described in consecutive sections.

3.1 Conceptual Framework

The investment is the postponement of current spending for the future purpose with the expectation of something gain. The gain is the compensation for the present sacrifice of the investors. With the same notion, stock return is also a compensation for the sacrifice of current consumption and benefits. With the initiation of the issue of the share to the public, investment in the shares of the company was started. This trend of investment was accelerated by the trading of the security in the secondary market. This can be the bullish trend or the bearish trend which is defined by the movement of the NEPSE price. The theoretical framework provides an edge within which the work can be looked at. It is the structure that can support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. The theoretical framework of this study is presented below. It is developed after studying and reviewing several journals and articles related to the topic.

Chart 3.1-Conceptual Framework of the Study

<u>**Independent Variables**</u>   <u>**Dependent Variable**</u>

```
┌─────────────────────────┐
│    Personal Attributes  │──────────┐
└─────────────────────────┘          │
┌─────────────────────────┐          │
│    Social Interactions  │──────┐   │        ┌──────────────────────┐
└─────────────────────────┘      ├───┼──────▶ │                      │
┌─────────────────────────┐      │   │        │ Investment Decision  │
│     Company Profile     │──────┼───┼──────▶ │                      │
└─────────────────────────┘      │   │        └──────────────────────┘
┌─────────────────────────┐      │
│    Regulatory Policies  │──────┘
└─────────────────────────┘
┌─────────────────────────┐
│      Firm's Image       │──────┘
└─────────────────────────┘
```
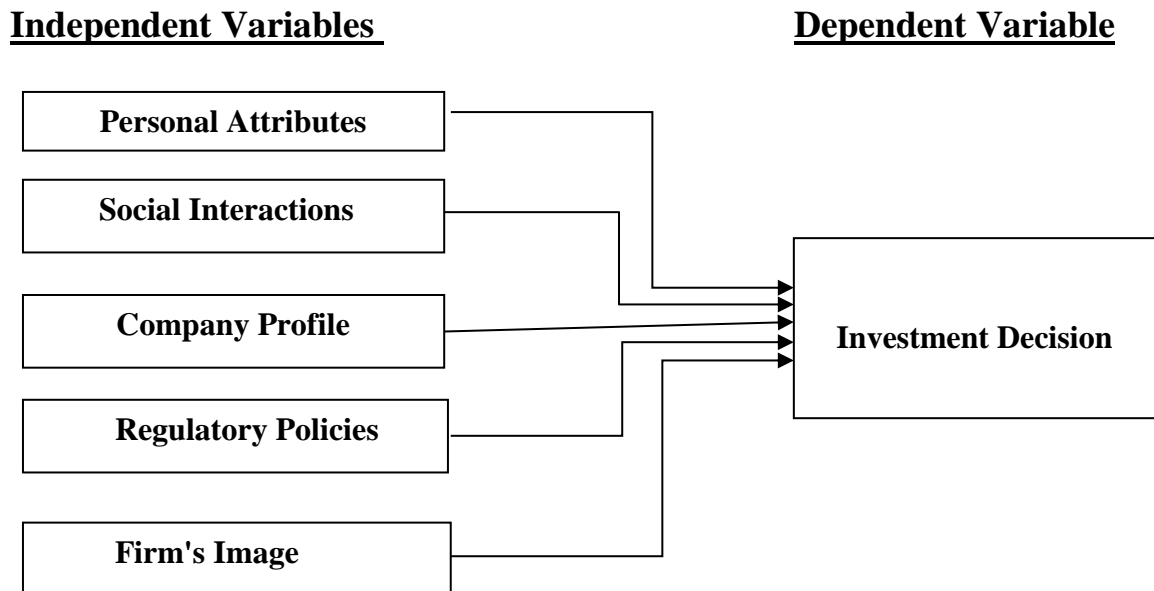
3.2 Research Design

Descriptive and exploratory research designs are used in this study to deal with the fundamental issues associated with the major factors affecting decision making behavior of investors in Nepalese Stock Market and the relationship between behavioral factors and investment decision. The study is fully based on the primary data and information. The sample size of the study is 120 individual investors of Kathmandu valley working in various fields out of which 60 respondents were from Kathmandu, 40 were from Lalitpur and remaining 20 were from Bhaktapur district. Besides, two share brokers were also asked about the concerned matters. The study used the quantitative methods where the questionnaire was distributed to the individual respondents to find the response regarding individual decision-making behavior of investors in Nepalese stock market. The collected data and information is presented and analyzed using SPSS. The study has covered a wide range of factual questions related to investment, perceptions and intentions, investors own characteristics and preferred investment avenues.

3.3 Nature and Sources of Data

The data for this study is collected through a survey having structured questionnaire. As the data are collected through self-administrated questionnaire the basic nature of the data is primary for this study and the main source of data for this study is the survey conducted among the individual investors of Kathmandu Valley.

3.4 Population, Sample and Sampling Procedure

The study population includes all the individual investors of Nepalese stock market. It is the entire collection of cases or units about which the study had to draw the conclusion. Since, the study is about the behavioral factors affecting the decision making of individual investors; the population for the study comprises all the individual investors of Kathmandu valley working in various fields. The census of population is not desirable for this nature of study because of the limitations of the study and very large number of population, which is why a group of sample is drawn. A sample represents only a part of population. Sampling design is the blueprint of the data collection and dissemination of data for the study. The sample size for this study is 120 as other similar studies were found to be taken the sample size in between 100 to 140. The sample size of 120 is considered to offer sufficient statistical power for this kind of study. Out of total sample size, 60 respondents were from Kathmandu, 40 were from Lalitpur and remaining 20 were from Bhaktapur so as to distribute them from all the three districts of Kathmandu Valley as per the estimated density stock market transactions and financial institutions. In order to collect the required data and information form the respondents, a convenient sampling technique has adopted for the study as population is not definite for the retail investors and is difficult to estimate.

3.5 Tools and Method of Data Collection

As the study is based on primary survey, the required data and information were collected through the pre-tested structured questionnaire (Appendix – I). A field survey is carried out by the researcher himself. All the questions included in the survey set was close ended i.e., it restricts the respondents within the given alternatives. The questionnaire is self-administrated in nature by including different demographic characteristic of individual investors like investment experience, period of investment, investment criteria. The stock related issues are incorporated in the questionnaire

consisting single choice, multiple choices, ranking of 'Likert Scale' with 6 points scale in ascending order are included in the questionnaire. Respondents are asked to mark an appropriate number on the scale form 1 (strongly agree) to 6 (strongly disagree) which indicate to what extent their investment decisions are affected by the factors such as personal attributes, company profile, regulatory policies, social interaction and firms image as well as market noise.

Hence, the questionnaire is prepared to measure the perception of the respondents with the views of positive and negative response. 'Likert Question' was based on five factors and their characteristics. The printed questionnaire is distributed by visiting the broker houses conveniently to individual investors. The chosen broker houses are Linch Stock Market Limited (Broker No. 41) and Imperial Securities Company Private Limited (Broker No. 45) and some questionnaires are distributed to random investors,

3.6 Reliability and Validity of Data

Reliability is the degree to which measures are free from errors and therefore yield consistent results. Validity is the extent to which a test measure that we wish to measure. During the study, it is done with close supervision of expert instructor to ensure the validity of the study. Thus, the questionnaire preparation and distribution for data collection and entire study development is done with the guidance of thesis supervisor pouring the set of standards in each step. To check the reliability of data the 'Cronbach Alpha' coefficient technique is used. It is calculated by taking all 21 statements of the independent variables with the formula given below.

$$\textbf{Cronbach Alpha } (\propto) = (\textbf{\textit{N}}.\overline{\textbf{\textit{C}}})/(\overline{\textbf{\textit{V}}}) + (\textbf{\textit{N}} - \textbf{1}).(\overline{\textbf{\textit{C}}})$$

Where:

  N = The number of items.
  $\overline{C}$ = Average covariance between item-pairs.
  $\overline{V}$ = Average variance.

Table: 3.1-Overall Reliability of Independent Variables

Number of Items	Cronbach Alpha
21	0.834

Table 3.1 shows the 'Cronbach Alpha' of independent variables. The 'Cronbach Alpha' coefficient technique is used to check the reliability and validity of the data collected for the further analysis. 'Cronbach Alpha' coefficient value more than 0.6 is considered as the reliable and validate for further analysis as a rule of thumb. The overall 'Cronbach Alpha' for 21 items of independent variable is 0.834 which means the data are reliable for further analysis.

3.7 Tools and Methods of Data Analysis

To accomplish the research questions, objectives and hypothesis of the study, various tables, graphs, average, percentage, ratio, descriptive statistics, coefficient of correlation (r) , multiple regression analysis, coefficient of determinants (R), adjusted coefficient of determinants (Adj. R), t-test, F-test and D-W test were used in the study. The relationship of investment behavior is examined with the help of correlation and regression analysis. A 'Statistical Package for Social Science (SPSS)' and 'Microsoft Excel 'computer software were used for data organization and data analysis.

3.8 Model Specification

The multiple regression model specified as under is used in the inferential analysis section of this study.

$$IB = \beta_0 + \beta_1 PA + \beta_2 SI + \beta_3 CP + \beta_4 RP + \beta_5 FI + e_t$$

Where,

IB= Investment behavior of individual investors of Kathmandu Valley.

PA=Personal attributes

SI = Social interactions

CP = Company profile

RP = Regulatory policies, and

FI = Firm's image

β_0 = Constant variable

$\beta_{1..5}$= Coefficients of the independent variable or slope of the equation.

3.9 Variables Specification

The purpose of any research or study is to answer the specific research questions of the study. For answering such underlying questions, it is required to develop and define the given variables. The variables picked for this study is divided into two types namely dependent and independent variables as given below.

3.9.1 Dependent Variable

The variable which is measured in the study is called dependent variable. In this study the dependent variable is investment decision of individual investors (IB) of Kathmandu Valley including frequency of investing in stock market, self-confidence about the current market trend, taking of loan facilities for investment purpose, calculation of stock price while buying them, consideration of dividend policy of the companies and preference of IPO.

3.9.2 Independent Variables

Independent variables are those variables which researcher changes deliberately in order to observe the relationship with other variables. In any study, independent variables are also called predictors. The independent variables in the study are the following behavioral factors affecting investment decision making of individual investors.

a. **Personal Attributes (PA):-** Factors such as investor's preference over short term and long-term gain, confidence over profitably, preference on volatility and previous mind set of investors.

b. **Social Interaction (SI):-** Factors such as advice from financial advisors, stockbrokers, family and friends and general public.

c. **Company Profile (CP):-** Consideration of financial statements of the firm, past price of scripts, company status and rating, information obtained from newspaper and company's prospects.

d. **Regulatory Policies (RP)**:- Regulatory factors considered are regulation by SEBON and NRB directives, taxation policies of MOF, management team and preference over government regulations.

e. **Firm's Image (FI):-** Consideration of company's product and services, work ethics of BoD members company's capital structure, preference over categorization of company and public image.

CHAPTER - IV

PRESENTATION AND ANALAYSIS OF DATA

This chapter provides systematic presentation and analysis of primary data. Descriptive statistics along with different statistical and regression model as described earlier in methodology section have been used for the study. This section is basically divided into three sections. The first section deals with the presentation and analysis of the primary data and presents the results of questionnaire survey called features of individual investors as sample units. The second section covers the descriptive statistics of data. Third section consists of inferential analysis including correlation and regression analysis. The final section of this chapter deals with concluding remarks associated based on findings from primary data analysis.

4.1 Features of Sample Units

Features of sample units includes the analysis of respondents with respect to their demographic status i.e. gender, age, educational qualification, marital status and occupation. The responses obtained from the respondents are presented according to the question patterns with observed frequencies. This section shows the frequency distribution of total 120 respondents of Kathmandu Valley involved in the survey. It also includes the analysis of the most influencing factor for investment in stock under different variables.

4.1.1 Age Group

The investment decision behavior may vary with the age group based on their investment experience, different market perceptions and risk bearing capacity. The respondents profile according to the given age group is presented in following table.

<div align="center">

Table - 4.1: Respondents by Age Group

</div>

Age Group	Frequency	Percent
Below 20	1	0.8
20 to 30	35	29.2
30 to 40	26	21.7
40 to 50	24	20.0
Above 50	34	28.3
Total	120	100.0

Source: Field survey.

Table 4.1 shows the frequency distribution of respondents by age group. Among the 120 respondents, the age group with highest frequency is 20 to 30 with 35 investors' followed by 34 numbers falling in between the age group of above 50. This shows that young peoples are attracted by Nepalese stock market. Likewise the presence of elderly people is also significant in the market. This makes the market mix- composed on the basis of age group. Young people are actively participating in the market as a sign of increasing investment awareness in youths. This respondents profile can be shown in a figure as presented below:

<div align="center">

Figure 4.1 Respondents by Age Group

</div>
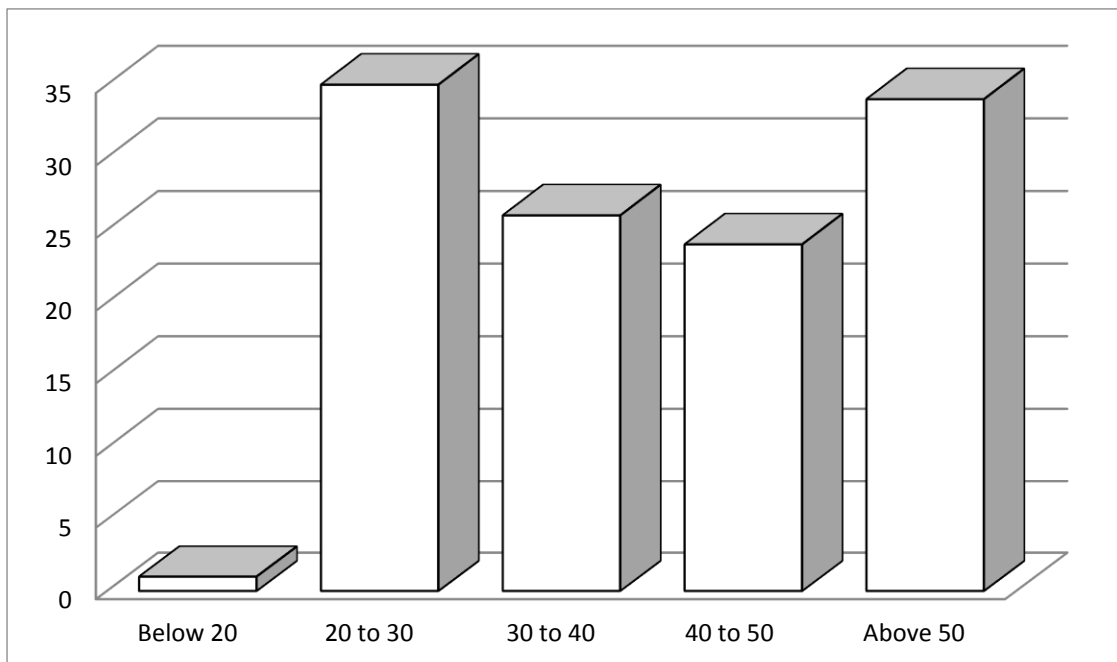
Source: Table 4.1

Figure 4.1 shows that the highest number of investors among respondents belongs to the category of 20 to 30 age group followed by the category of age group above 50.

This represents that the age mix among investors in NEPSE is well distributed and the investors of different age group are participated in the market.

4.1.2 Gender

The number of female investors is increasing in Nepalese stock market day by day. Nowadays, women take active participation in stock market activities, especially housekeeping females. The respondent's profile of this study with respect to their gender is presented in the following table.

Table - 4.2: Respondents by Gender

Gender	Frequency	Percent
Male	106	88.3
Female	14	11.7
Total	120	100.0

Source: Field survey.

Table 4.1.2 shows the gender mix of respondents in Nepalese stock market. Although the portion of female investors is significantly low, their participation in the market is increasing day by day. Women these days are found to be very actively participating in stock market for different purpose. The respondents profile according to gender can be presented in a figure as follows.

Figure - 4.2: Respondents by Gender
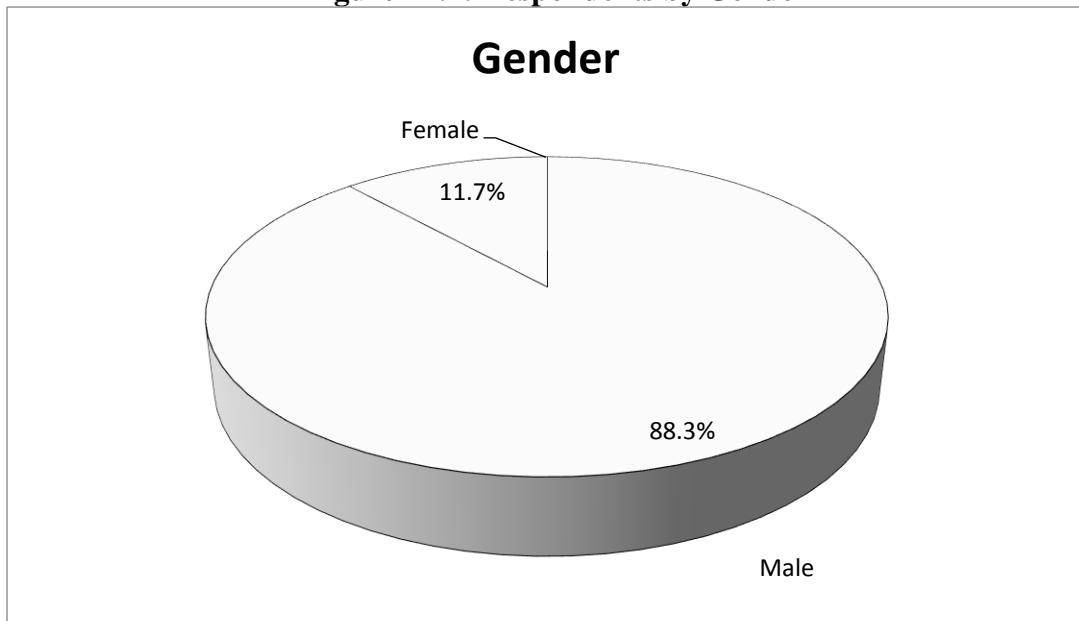
Source: Table 4.2

Figure 4.2 shows the respondents by gender in pie chart. In the chart, the bigger slice represents the male portion of male respondents and smaller one represents portion of female respondents. This reflects only few numbers of female are participating in the Nepalese Stock Market and it is significantly low in comparison to the same of male investors.

4.1.3 Educational Qualification

The investors have different educational qualifications. Investment decision of investors is found affected by their educational qualification. In this study, the respondents are categorized in different groups according to their educational qualification. Five different groups are provided to furnish the respondents educations qualification which is presented in the table given below.

Table - 4.3: Respondents by Educational Qualification

Educational Qualification	Frequency	Percent
Below SLC	2	1.7
SLC	12	10.0
Plus, Two	10	8.3
Bachelor's degree	45	37.5
Master's degree	51	42.5
Total	120	100.0

Source: Field survey.

Figure 4.3 gives information about the mix of market according to educational qualification of respondents. This study shows that the highest number of investors has educational qualification of master degree followed by bachelor degree. This represents that the investors are quite educated in Nepalese stock market. Most of the active investors of the stock market posses' higher degrees in Nepal. This information can be further shown in a diagram as below.

Figure - 4.3: Respondents by Educational Qualification
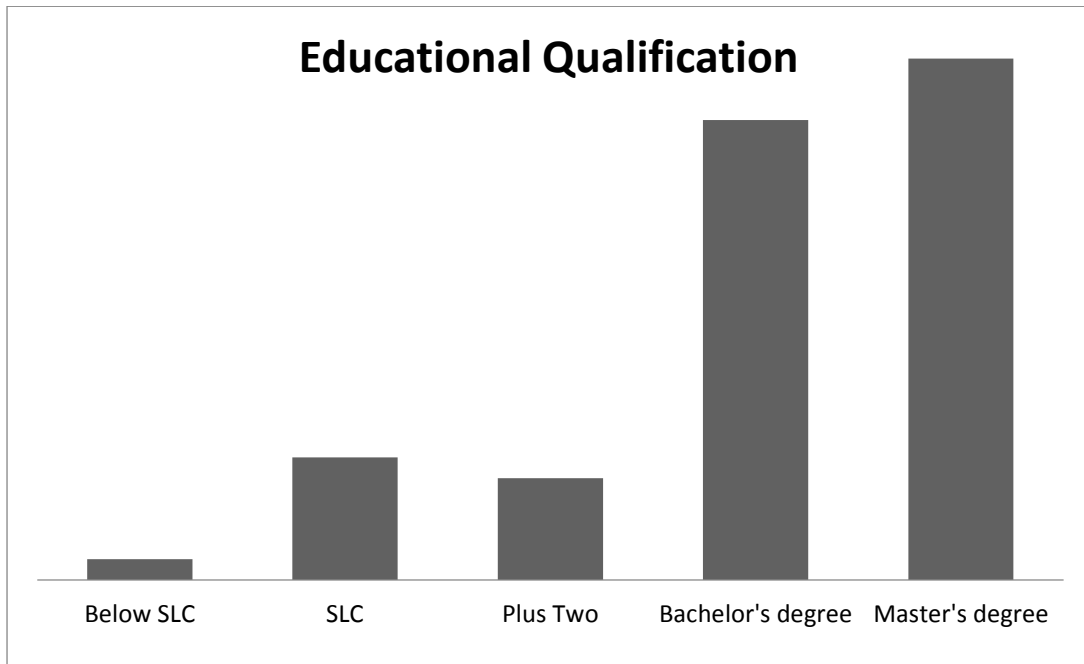
Source: Table 4.3

Figure 4.3 represents that the investors in Nepalese stock market are much educated as the highest number of respondents falls under the category of having master's degree followed by bachelor's degree with 42.5% and 37.5% respectively. Only 1.7% of the respondents fall under the category of having educational qualification of below SLC this is least among the given options.

4.1.4 Marital Status

The respondents are categorized into two groups as single and married, as per their marital status. The respondents profile according to their marital status is presented in the table given below.

Table 4.4 - Respondents by Marital Status

Marital Status	Frequency	Percent
Single	37	30.8
Married	83	69.2
Total	120	100.0

Source: Field survey.

Table 4.4 presents the frequency distribution of respondents by marital status. The involvement in investment activities is basically for the purpose is to get return. So, the investors come into stock market to fulfill their financial responsibilities. This makes

the mix of investors more with married and less of unmarried. This information can be further shown in a figure as below.

Figure 4.5 - Respondents by Marital Status
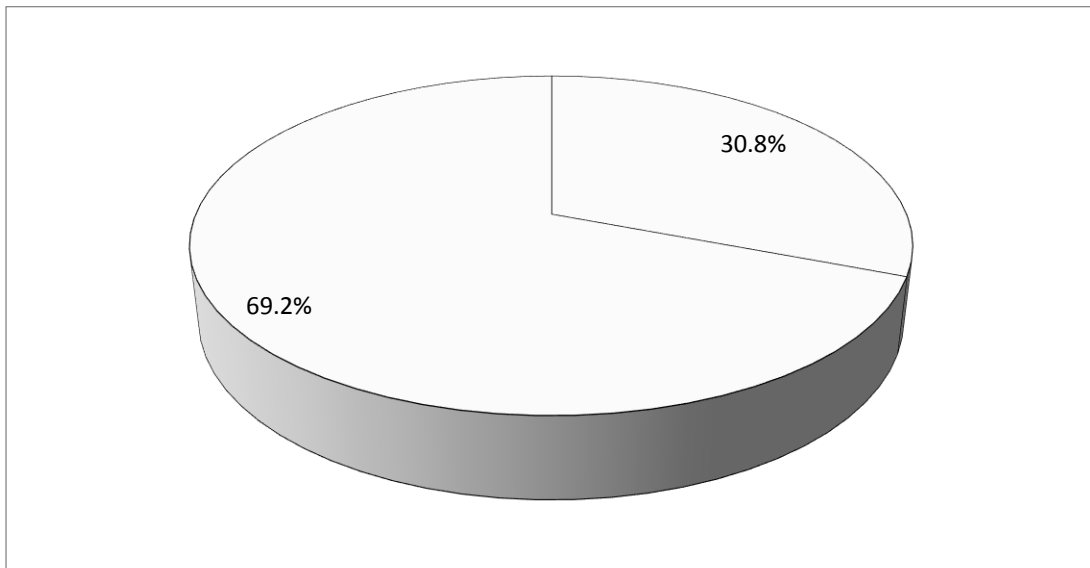
Source: Table 4.4

Figure 4.4 represents the frequency of respondents by marital status. The bigger slice represents the married portion of the respondents and smaller one represents the single status respondents.

4.1.5 Occupation

The mix of respondents is categorized in five different groups as per their occupation. The individual investors are from different occupational background in Nepalese stock market. The distribution of respondent's profile in regards to their occupation is presented below.

Table - 4.5: Respondents by Occupation

Occupation	Frequency	Percent
Private Sector	25	20.8
Public Sector	17	14.2
Business	43	35.8
Household	6	5.0
Others	29	24.2
Total	120	100.0

Source: Field survey.

Table 4.5 shows the frequency distribution of respondents by occupation. Investors risk taking capacity and behavior may differ according to their occupation which in results may affect the decision making behavior of individual investors. This information shows that most of the investors are involved in business sector followed by private sector. The respondents fall under other category were found to be involved in full time investment activates and informal sectors. The information in the above table can be represented in a figure as below.

Figure 4.5- Respondents by occupation
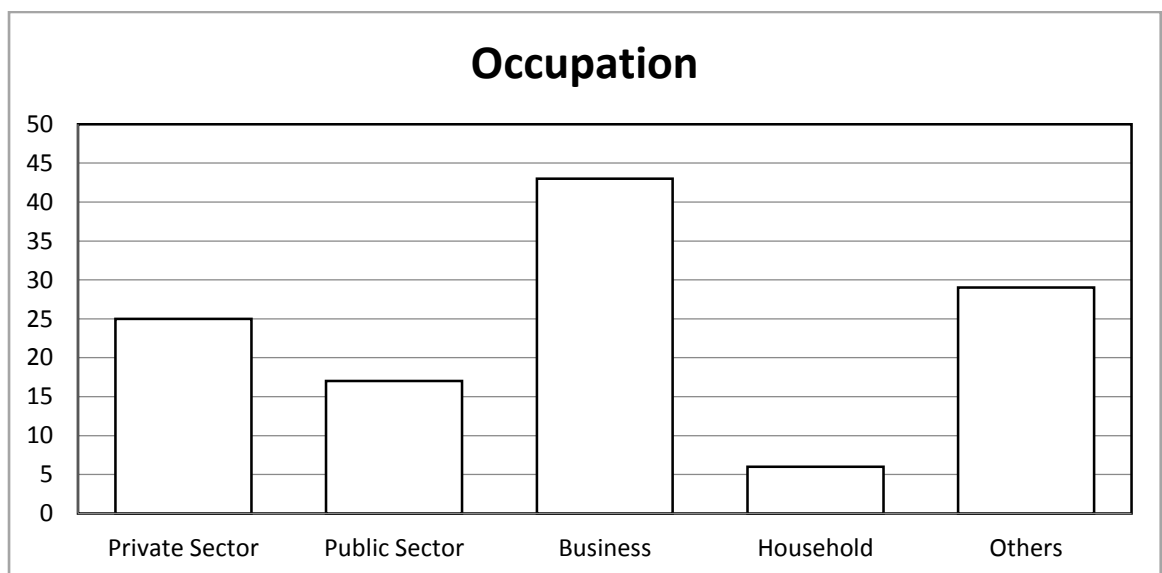
Source: Table 4.5

Figure 4.5 displays the frequency of respondents by occupation. The occupation with highest frequency is business followed by others. The least frequency among 5 given categories is in household.

4.1.6 Investment Experience

The individual investment behavior may be greatly influenced by their investment experience. The investment decision varies with respect to investors past experiences as shown by especial studies. The respondents are classified referring their personal investment experience in the following table.

Table 4.6 - Respondents by Investment Experience

Investment Experience	Frequency	Percent
<1 year	4	3.3
1 to 3 years	34	28.3
3 to 5 years	28	23.3
5 to 7 years	26	21.7
7 to 9 years	12	10.0
>9 years	16	13.3
Total	120	100.0

Source: Field survey.

Table 4.6 shows the frequency of investment experience of investors. This shows that the investors in the Nepalese stock market are mostly beginners as the highest frequency falls under the group of having investment experience of 1 to 3 years.

4.1.7 Purpose of Investment

The fundamental purpose of investment is to get good return in investment. In this study the respondents are classified into four different groups as per their purpose of investment as presented in the table given below.

Table - 4.7: Respondents by Purpose of Investment

Investment Purpose	Frequency	Percent
Security	2	1.7
Capital appreciation	23	19.2
Short term return	28	23.3
Long term return	67	55.8
Total	120	100.0

Source: Field survey.

Table 4.7 shows the frequency of investment purpose of investor categorized into four different groups. This study shows that most of the investors in Nepalese stock market are seeking long term return in their investment among all given options. The general tendency of investors, is the information shows, is to get the returns in long term through dividend and capital gain.

4.1.8 Type of Markets

The investors can invest upon different types of markets available in the capital market. The respondents are classified in three types of market where they invest upon. The result according to the market type on which they invest upon is presented in the following table.

Table 4.8 - Respondents by Types of Market

Types of Market		Frequency	Percent
Primary Market	Initial Public Offering (IPO)	25	20.8
	Further Public Offering (FPO)	3	2.5
Secondary Market		92	76.7
Total		120	100.0

Source: Field survey.

Table 4.8 shows the frequency of investors in the type of market they invest upon. This shows that more investors are engaged on secondary market relative to the primary market as 76.7% of total respondents had made investment on this market. The number of investors having investment on FPO is very nominal as it is not often issued and not much popular among Nepalese investors.

4.1.9 Type of Scripts

There are different types of stock scripts and investor can pick any of them while investing. In this study, three major types of scripts categorization are presented. The preferred scripts of respondents are presented in the table as below.

Table 4.9-Frequency of Respondents by Preferred Script

Script Type	Frequency	Percent
Ordinary stock	97	80.8
Preferred stock	17	14.2
Promoter stock	6	5.0
Total	120	100.0

Source: Filed survey.

Table 4.9 shows the frequency of preferred script of investors. It shows that most of the investors are attracted to ordinary stock while investing. As the market has mostly ordinary stock, it obvious that the most of the investors to invest in this type of scripts.

4.1.10 Preferred Group

Currently there are twelve groups of scripts in Nepalese stock market. In this study, the respondents are asked to pick their four most preferred groups of scripts. The preferred groups for investment for the respondents are presented in the following table.

Table 4.10 - Respondents by Preferred Group

Groups of listed Companies	Frequency	Percent
Banking (A, B, C, &D classes)	101	84.2
Hydro	10	8.3
Insurance (Life and Non-life)	7	5.8
Trading	2	1.7
Production and Processing	0	0
Hotel	0	0
Others	0	0
Mutual Fund	0	0
Total	120	100.0

Source: Filed survey.

Table 4.10 shows the frequency of preferred group among the investors. The most preferred group is banking followed by Hydro, Insurance and Trading respectively. Banking group is the major part of Nepalese stock market in terms of market capitalization as well.

4.1.11 Amount of Investment

The investors are classified often known as small and big investors considering their volume of invested amount. The respondents are classified with respect to their invested amount in the table given below.

Table - 4.11: Respondents by Amount of Investment

Invested Amount	Frequency	Percent
< 5 Laths	44	36.7
5 Laths to 10 Laths	17	14.2
10 Laths to 15 Laths	12	10.0
15 Laths to 20 Laths	13	10.8
20 Laths to 25 Laths	10	8.3
>25 Lakhs	24	20.0
Total	120	100.0

Source: Field survey.

Table 4.11 shows that there is significant presence of small investors in Nepalese stock market. Most of the investors are with small sum of money which is surplus after their regular expenditure enters into stock market for investments. So, there is significant

number of small investors in Nepalese stock market having investment of below fine lakhs. This can be further shown in a chart as below.

Figure - 4.9: Respondents by Amount of Investment
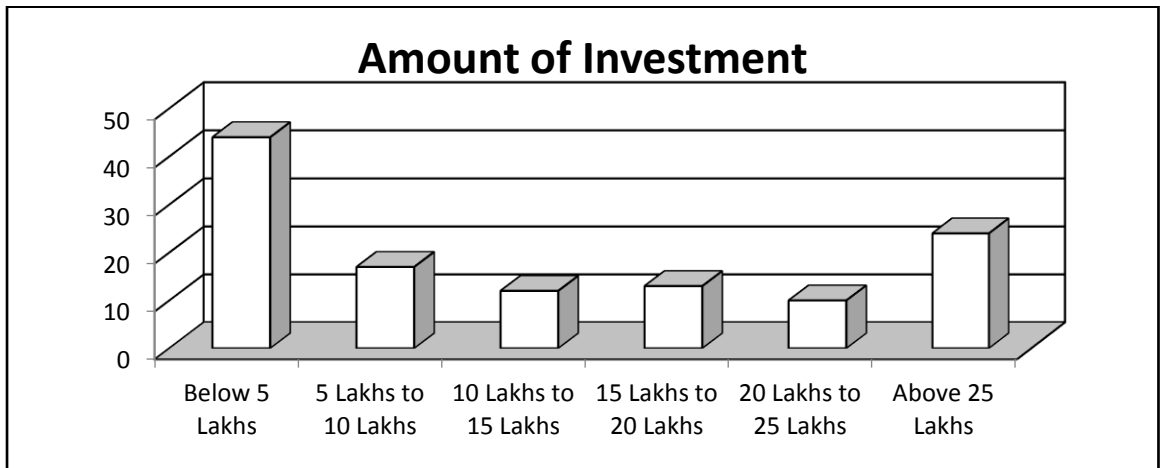
Source: Table 4.11

Figure 4.6 represents that the Nepalese stock market has the significant number of small investors as the highest respondents belong to the category of having investment amount of less than 5 lakhs.

4.2 Major Determinants of Decision Making Behavior of Investors

The major determinants of the decision making behavior of investors is analyzed with the use of descriptive statistics. Descriptive analysis is a summary statistic that quantitatively describes or summarizes features of a collection of information. In this study, mean is measured as measure of central tendency and standard deviation is measured as measure of variability of five independent variables of the study including personal attributes, social interaction, company profile, regulatory policies and firm's image.

4.2.1 Personal Attributes (PA)

Personal attributes refers to the own behavior or characteristics of investors which differs from one to another. This variable include opinion regarding personal preference between short term and long term gain, confidence while buying stocks and effect of already developed own mind set.

Table - 4.12: Descriptive Statistics of Personal Attributes (PA)

Code	Opinion Statement	Mean	Standard Deviation
PA-1	I look long term gain rather than short term	2.4	1.514
PA-2	I am confident that that the script will be profitable while buying script	2.22	1.168
PA-3	I generally buy stocks with less volatility and which have more safety	2.18	1.275
PA -4	I tend to invest in stocks from my previous mind set	2.49	1.42

Source: Field survey.

Table 4.12 shows the mean score for all the statements regarding personal attributes is in between 2.00 to 2.50 which shows that respondents agree with all four-opinion statement of personal attributes. Further, the standard deviation in the opinion statement regarding profitability confidence is 1.168 which is lowest among four statements. It shows that investors are relatively surer in this option.

4.2.2 Social Interactions (SI)

Social interactions of investors denote their conversations and advice from financial advisor, stockbroker and family and friends regarding investment decision. It also includes opinion regarding effect of market noise over the purchasing decision of investors.

Table - 4.13: Descriptive Statistics of Social Interactions (SI)

Code	Opinion Statement	Mean	Standard Deviation
SI-1	I take advice from financial advisor while investing in securities	2.5	1.309
SI-2	I take advice from stockbroker while investing in securities	3.06	1.541
SI-3	I take advise from my family and friends	2.68	1.316
SI-4	I prefer to buy stocks when stock has high market noise	2.98	1.742

Source: Field survey.

Table 4.13 shows the mean score for the statements regarding social interaction lies between 2.50 to 3.06 which mean respondents slightly agree with all the opinion statements. Here, the standard deviation is lowest in the first opinion statement regarding taking advice from financial advisor while investing with value 1.309 which indicates more investors tend to do so while purchasing stocks.

4.2.3 Company Profile (CP)

Company profile means the overall status of the institution which the investors are taking consideration. This variable includes opinions like concern over financial statements of the company, past price of it, ratings given to them, published information in newspapers and future prospects of the firm.

Table-4.14: Descriptive Statistics of Company Profile (CP)

Code	Opinion Statement	Mean	Standard Deviation
CP-1	I prefer to buy stocks by looking the financial statements of the firm	1.83	1.015
CP-2	I prefer to buy stocks by looking the script past prices	2.31	1.327
CP-3	I prefer to buy stocks by looking the status of the company in terms of their rating	2.25	1.11
CP-4	I prefer to buy stocks by looking the published information in newspapers	2.45	1.249
CP-5	I prefer to buy stocks by looking the firm's prospects	2.28	1.197

Source: Field survey.

Table 4.14 shows that respondents agree with all 5 opinion statements regarding company profile as the mean score for the opinion statements is in between 1.83 to 2.45 and the lowest standard deviation is 1.015 in the first opinion statement regarding looking at financial statements while purchasing stocks which implies that more investors are concerned about financial statements while looking at company profile.

4.2.4 Regulatory Policies (RP)

Regulatory policies are subject to change over time period and it is often found that stock market is sensible with those. In this study, this variable includes opinion statement like investors preference of regulation on company, work ethics of board of directors and separate management team.

Table - 4.15: Descriptive Statistics of Regulatory Policies (RP)

Code	Opinion Statement	Mean	Standard Deviation
RP-1	I prefer to buy stocks of that company when the company is highly regulated	2.29	1.126
RP-2	I prefer to buy stocks where BoD members have high work ethics	2.35	1.179
RP-3	I prefer to buy stocks when the company has independent management team	2.37	1.303
RP-4	Government should regulate all listed companies	2.32	1.468

Source: Field survey.

Table 4.15 displays that respondents agree with all the opinion statements regarding regulatory policies as the mean score for given 4 statements is in between 2.29 to 2.37 and the standard deviation is lowest in the first opinion statement regarding preference of buying highly regulated stocks with value 1.126 which shows that more number of respondents agree on this option.

4.2.5 Firm's Image (FI)

The image of the firm refers to how investors perceive the company in terms of its product and services, foreign venture, class categorization by NEPSE and the public image of the company.

Table - 4.16: Descriptive Statistics of Firm's Image (FI)

Code	Opinion Statement	Mean	Standard Deviation
FI-1	I prefer to buy stocks when the company having large number of branded products/services	2.24	1.36
FI-2	I prefer to buy stocks when the company has foreign investment	2.71	1.239
FI-3	I prefer to buy stocks which fall in class A category of NEPSE	2.48	1.309
FI-4	I prefer to buy stocks when the company has good public image	2.14	1.125

Source: Field survey.

Table 4.16 presents that respondents agree with opinion 1, 3 and 4 as the mean score for these statements regarding firm's image is in between 2.14 to 2.48 whereas respondent slightly agree with the opinion statement 2 as the mean score is 2.71. The lowest standard deviation among four opinion statement is 1.125 in fourth opinion

41

regarding preference of investors on stocks of the company with good public image which represents that more number of investors agree on this statement.

4.3 Relationship Between Behavioral Factors and Investment Decision

The relationship between five behavioral factors and investment decision is examined by using inferential analysis techniques. Inferential statistics are the techniques that allow using these samples to generalize about the population from which the samples were drawn. In this study, correlation and regression test are performed to analyze the data and testing of pre-stated study hypothesis.

4.3.1 Correlation Analysis

Correlation analysis shows the degree of relationship between two or more variables. The study used Pearson's correlation coefficient in this regard as a test statistic. Pearson's correlation analyzes the degree of relationship between two or more variables. Hence the study used investment behavior (IB) of individual investor in Nepalese stock market with its major determinants like personal attributes (PA), social interaction (SI), company profile (CP), regulatory policies (RP) and firm's image (FI).

Table 4.17 - Correlation of Investment Behavior with its Major Determinants

Variables	IB	PA	SI	CP	RP	FI
IB	1					
PA	0.413	1				
SI	0.433	0.266	1			
CP	0.332	0.414	0.305	1		
RP	0.121	0.221	-0.066	0.559	1	
FI	0.214	0.253	0.356	0.685	0.459	1
Multiple Correlation Coefficient (r) = 0.548						

Source: Field survey.

Table 4.17 represents the correlation coefficients of investment behavior (IB) with personal attributes (PA), social interaction (SI) and company profile (CP) are 0.413, 0.433 and 0.332 respectively. It means there is moderately positive correlation between investment behavior of investors and these three variables. Whereas, the correlation coefficients of investment behavior (IB) with regulatory policies (RP) and firm's image (FI) are 0.121 and 0.214 respectively which means there is weak positive relationship between investment behavior of investors and these remaining two variables.

The table shows that the value of multiple correlation coefficient (r) = 0.548 which shows that there is moderate uphill relationship between investment behavior of investors and all five independent variables.

4.3.2 Regression Analysis

Regression analysis is used to analyze the effects of given independent variable/s on the given dependent variable. It helps to indicate how much the degree of effects on dependent variable is made by the given independent variable/s. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variable is changed with constant other independent variables. Linear regression is a basic and commonly used type of predictive analysis. The overall idea of regression is to examine two things; does a set of predictor variables do a good job in predicting an outcome or dependent variable and which variables are significant predictors of the outcome variable, also in what way do they indicated by the magnitude and sign of the coefficients (Beta Estimates) impact the outcome variable. These regression estimates are used to explain the relationship between one dependent variable and one or more independent variables. The study used the multiple regression analysis as given below.

$$IB = \beta_0 + \beta_1 PA + \beta_2 SI + \beta_3 CP + \beta_4 RP + \beta_5 FI + e_t$$

The given multiple regression model used investment behavior (IB) as dependent variable and personal attributes (PA), social interaction (SI), company profile (CP), regulatory policies (RP) and firm's image (FI) are taken as independent variables as major determinants. The results of given regression analysis are given in the table below.

Table - 4.18: Results of Multiple Regression Analysis

Variables	Coefficients	Standard Error	t-value	Prob. Sig.
Constant (β_0)	1.078	0.236	4.574	0
PA (β_1)	0.269	0.069	3.069	0.003
SI (β_2)	0.355	0.066	3.902	0.000
CP (β_3)	0.167	0.11	1.343	0.182
RP (β_4)	0.045	0.074	0.442	0.659
FI (β_5)	**-0.115**	0.094	-1.022	0.309
$R^2 = 0.601$ Adj. $R^2 = 0.552$ ANOVA F =9.801 Sig. 0.000 N = 120				

Source: Field survey.

Table 4.18 shows that there is positive relationship between dependent variable investment behavior (IB) and independent variables personal attributes (PA), social interactions (SI), company profile (CP), regulatory policies (RP) whereas negative relationship with firms image (FI) as the beta coefficients of earlier four variables is positive except the one of firm's image which is negative.

The table shows that about $R^2 = 0.601$. It represents that 60.10 percent of the variance for investment behavior is explained by given five independent variables. So, the rest of about 40.00 percent of variation is explained by other variables. The value of Adj. $R^2 = 0.552$, it means only 55.2 percent of variation in investment behavior (IB) is actually explained by equation as a whole.

The value of ANOVA F statistic is 9.801 and its p - value is 0.000 which is less than the alpha value 0.05 implying that the regression model is statistically significant. Now, the final regression model of this study can be presented as:

$$IB = 1.078 + 0.269*PA + 0.355*SI + 0.167*CP + 0.045*RP - 0.115*FI + e_t$$

4.3.3 Hypotheses Testing

Hypothesis testing is an act in statistics whereby an analyst tests an assumption regarding a population parameter. The methodology employed by the analyst depends on the nature of the data used and the reason for the analysis. Hypothesis testing is used to infer the result of a hypothesis performed on sample data from a larger population.

Based on results of regression analysis, all hypotheses set in chapter one are tested and result is summarized in the table given below.

Table 4.3.3 - Summary of Hypothesis Testing

Hypothesis Statements	B	P- value	Alpha	Result
(a) H1: There is significant relationship between personal attributes and investment decision making behavior of individual investors in Nepalese Stock Market.	0.269	0.003	0.05	Accepted Alternative Hypothesis
(b) H2: There is significant relationship between social interactions and investment decision making behavior of individual investors in NEPSE	0.355	0.000	0.05	Accepted Alternative Hypothesis
(c) H3: There is significant relationship between company profile and investment decision making behavior of individual investors in NEPSE	0.167	0.182	0.05	Rejected Alternative Hypothesis
(d) H4: There is significant relationship between regulatory policies and investment decision making of individual investors in NEPSE	0.045	0.659	0.05	Rejected Alternative Hypothesis
(e) H5: There is significant relationship between firm's image and investment decision making behavior of individual investors in NEPSE	- 0.115	0.309	0.05	Rejected Alternative Hypothesis

Source: Table 4.3.2

(a) Regarding the first hypothesis, when the coefficient (β_1) of personal attributes (PA) is 0.269 in which the p - value is less than alpha (α) value at 5 percent level of significance i.e. p (0.003) < α (0.05). It shows that null hypothesis (H_0) is rejected i.e. alternative hypothesis (H_1) is accepted at 5 percent level of significance. Hence, it justifies that the personal attributes (PA) significantly affect investment behavior (IB) of individual investors in Nepalese Stock Market.

(b) In case of the second hypothesis, when the coefficient (β_2) of social interactions (SI) is 0.355 in which the p - value is less than alpha (α) value at 5 percent level of significance i.e. p (0.000) < α (0.05). It shows that null hypothesis (H_0) is rejected i.e. alternative hypothesis (H_1) is accepted at 5 percent level of significance. Hence, it justifies that the social interactions (SI) significantly affect investment behavior (IB) of individual investors in Nepalese Stock Market.

(c) Regarding the third hypothesis, when the coefficient (β_3) of company profile (CP) is 0.167 in which the p - value is more than alpha (α) value at 5 percent level of significance i.e. p (0.182) > α (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the company profile (CP) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market. The possible causes for this might be investors might pick companies with poor profile looking for capital gain opportunities from the volatility of stock market.

(d) Regarding the fourth hypothesis, when the coefficient (β_4) of regulatory policies (RP) is 0.045 in which the p - value is more than alpha (α) value at 5 percent level of significance i.e. p (0.659) > α (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the regulatory policies (RP) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market. This might happened because the policy sensitivity on investors of Nepalese Stock Market is low due to frequent changes on them.

(e) Regarding the fifth hypothesis, when the coefficient (β_5) of firm's image (FI) is - 0.115 in which the p - value is more than alpha (α) value at 5 percent level of significance i.e. p (0.309) > α (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the firm's image (FI) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market. The possible reason behind such result might be investors not taking care of image of the firm rather go for other variables like growth and future prospects which fits their investment purpose.

CHAPTER - V
MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Major Findings

The decision making behavior of investors is the subject matter of behavioral finance and it is affected by various factors. This study has picked five major behavioral factors; personal attributes, social interactions, company profile, regulatory policies and firm's image which are regarded as the determinants of investment decisions of individual investors in Nepalese Stock Market.

Many researches have conducted several studies on the behavioral finance and its impact on investment decision making behavior of individuals both in international and also Nepalese context. Most of the studies in international context show that the investment decision is affected by demographic factors, amount available for investment, recommendation from others, corporate image, time of investment, market noise, socio-economic variables, financial information and risk association. Similarly, studies on Nepalese context shows that investment decisions are driven by media, advice from friends, market noise, earning capacity of the firm, book to market ratio, dividends, nature of ruling political party, size of investment and macroeconomic factors. However, it is not much discussed issues in the research field of Nepal.

The descriptive analysis of the study found that the investment decision is affected by all five above stated factors. It is found that investors tend to purchase stocks with their personal judgment developed with the advice of others. The mean score for all the statements regarding personal attributes is in between 2.00 to 2.50 which shows that respondents agree with all four-opinion statement of personal attributes. Further, the standard deviation in the opinion statement regarding profitability confidence is 1.168 which is lowest among four statements. It shows that investors are relatively surer in this option. Likewise, the mean score for the statements regarding social interaction lies from 2.50 to 3.06 which mean respondents slightly agree with all the opinion statements. Here, the standard deviation is lowest in the first opinion statement

regarding taking advice from financial advisor while investing with value 1.309 which indicates more investors tend to do so while purchasing stocks.

Similarly, the respondents agree with all 5 opinion statements regarding company profile as the mean score for the opinion statements is in between 1.83 to 2.45 and the lowest standard deviation is 1.015 in the first opinion statement regarding looking at financial statements while purchasing stocks which implies that more investors are concerned about financial statements while looking at company profile. Further, the respondents agree with all the opinion statements regarding regulatory policies as the mean score for given 4 statements is in between 2.29 to 2.37 and the standard deviation is lowest in the first opinion statement regarding preference of buying highly regulated stocks with value 1.126 which shows that more number of respondents agree on this option. Lastly, the respondents agree with all the opinions regarding firm's image except slight agreeableness in opinion statement of preference to buy stocks when the company has foreign investment with mean score is 2.71. The lowest standard deviation among four opinion statement is 1.125 in fourth opinion regarding preference of investors on stocks of the company with good public image which represents that more number of investors agree on this statement.

The correlation coefficients of investment behavior (IB) with personal attributes (PA), social interaction (SI) and company profile (CP) are 0.413, 0.433 and 0.332 respectively. It means there is moderately positive correlation between investment behavior of investors and these three variables. Whereas, the correlation coefficients of investment behavior (IB) with regulatory policies (RP) and firm's image (FI) are 0.121 and 0.214 respectively which means there is weak positive relationship between investment behavior of investors and these remaining two variables. The value of multiple correlation coefficient (r) = 0.548 which shows that there is moderate uphill relationship between investment behavior of investors and all five independent variables. It means 54.8 units change in PA, SI, CP, RP and FI combine results 100 units' change in investment behavior of investors.

The regression analysis gives the value of $R^2 = 0.601$, it represents that 60.10 percent of the variance for investment behavior is explained by these five independent variables. So, almost one third of the observed variation can be explained by the model's

inputs. Whereas, the value of Adj. $R^2 = 0.552$, it means only 55.2 percent of variation in investment behavior (IB) is explained by the equation as a whole. The value of ANOVA F statistic is 9.801 and its p - value is 0.000 which is less than the alpha value 0.05 implying that the regression model is statistically significant.

While testing the hypotheses, it is found that only two independent variables namely personal attributes and social interactions are significant. Regarding the first hypothesis, when the coefficient (β_1) of personal attributes (PA) is 0.269 in which the p - value is less than alpha (α) value at 5 percent level of significance i.e. $p (0.003) < \alpha$ (0.05). It shows that null hypothesis (H_0) is rejected i.e. alternative hypothesis (H_1) is accepted at 5 percent level of significance. Hence, it justifies that the personal attributes (PA) significantly affect investment behavior (IB) of individual investors in Nepalese Stock Market. Similarly, in case of the second hypothesis, when the coefficient (β_2) of social interactions (SI) is 0.355 in which the p - value is less than alpha (α) value at 5 percent level of significance i.e. $p (0.000) < \alpha$ (0.05). It shows that null hypothesis (H_0) is rejected i.e. alternative hypothesis (H_1) is accepted at 5 percent level of significance. Hence, it justifies that the social interactions (SI) significantly affect investment behavior (IB) of individual investors in Nepalese Stock Market.

Besides being positively correlated with investment behavior, three factors namely company profile, regulatory policies and firm's image are not significant. Regarding the third hypothesis, when the coefficient (β_3) of company profile (CP) is 0.167 in which the p - value is more than alpha (α) value at 5 percent level of significance i.e. $p (0.182) > \alpha$ (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the company profile (CP) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market. Likewise, regarding the fourth hypothesis, when the coefficient (β_4) of regulatory policies (RP) is 0.045 in which the p - value is more than alpha (α) value at 5 percent level of significance i.e. $p (0.659) > \alpha$ (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the regulatory policies (RP) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market. Finally, regarding the fifth hypothesis, when the coefficient (β_5) of firm's image (FI) is -0.115 in which the p - value is more than alpha (α) value at 5 percent level of

significance i.e. p (0.309) > α (0.05). It shows that null hypothesis (H_0) cannot be rejected i.e. alternative hypothesis (H_1) is rejected at 5 percent level of significance. Hence, it justifies that the firm's image (FI) does not affect investment behavior (IB) of individual investors in Nepalese Stock Market.

5.2 Conclusion

The nature and scenario of financial market varies from one to another. Besides the fundamental issues, the studies carried out on different financial market provide distinct results in many aspects. This study has also delivered some results which are contrast to other studies done in similar topic.

There are some implications that can be drawn from this study. Although all the independent variables had shown the positive relation with investment decision making of individual investors, only two variables became significant which are personal attributes and social interactions. So, Nepalese stock investors seem to make investment decision based on personal judgment build from the advice of experts and close circle groups. Hence the most important issue raised by the study is the decision making of individual investors in Nepalese Stock Market is affected by their personal judgments and social interactions while they are not much concern about company profile, regulatory policies and firm's image. The possible reasons behind such behavior of investors might be the larger portion of individual investors involved in NEPSE is small investors who are not much experienced in the field of investment. Investors might have underestimated the factors like company profile, regulatory policies and firm's image as they are less concerned about the fundamental analysis while making investment decision rather go with their own judgments build from advice of financial analyst, stock brokers, family and friends.

5.3 Recommendations

Based on the major finding and results obtained from this study, following recommendations are made.

➢ Investors must be more conscious about factors like company profile, regulatory policies and firm's image as these are also the influential factors in other stock markets as shown by other empirical studies. So, proper analysis of fundamental and technical tool is important alongside the understanding of personal judgments.

➢ The study shows that large number of small investors is involved in Nepalese stock market and so the regulatory bodies must take care of their rights and make their investment safe by protecting the stock market from undue influence of big investors and other interest groups.

➢ There always remains a research gap in any topic and this study has also left door open for further study. New models such as structural equation modeling along with wide research tools and techniques can be applied for the similar study. Likewise, more independent variables can be included to make the study more expansive. In addition, the sample size for the study can be increased to take them from wide area of our country including other cities outside of Kathmandu valley to make it broader.

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Appendix - I

Individual Questionnaire

I, Jagadish Budhathoki, currently doing my Master's degree in Economics at University Campus, Tribhuvan University, Kirtipur. I am conducting a study as a part of thesis writing on *Decision Making Behavior of Investors in Nepalese Stock Market of Kathmandu Valley*.This questionnaire is designed to collect the necessary data and information only for the purpose of thesis writing and it won't be used for any other purposes. The questionnaire consists of 3 sections and will take no longer than 10 minutes to complete. I truly appreciate you for agreeing to take this survey.

1. General Information (Please Tick (✓) on the appropriate option)

1.1 Name (Optional): …………………………………………………………..

1.2 Age	Below 20	20 to 30	30 to 40	40 to 50	Above 50

1.3 Gender	Male		Female		Others

1.4 Educational Qualification	Below SLC	SLC	Plus Two	Bachelor's Degree	Master' Degree	Above Master's Degree

1.4 Marital Status	Single		Married		Others

1.5 Occupation	Private Sector	Govt. Service	Business	Household	Others

1. **Investment Information**

2.1 Investment experience by number of years

   a) < one year   b) 1 − 3   c) 3 − 5   d) 5 − 7   e) 7 − 9   f) > 9 years

2.2 Purpose of investment

   a) Security   b) Capital Appreciation c)Short term Returns d) Long term return

2.3 Investment on

   a) IPO   b) FPO   c) Secondary Market

2.4 Which one script of stock do you prefer to invest?
   a) Ordinary stock   b) Preferred stock   c) Promoter stock

2.5 Which one group of stock do you prefer the most?
   a) Banking   b) Insurance   c) Hydro   d) Hotel   e) Manufacture   f) Trading

2.6 Total amount invested: Rs. _____

2.7 Investment Behavior of Individual Investors (IB)

Please Tick (✔) on corresponding box
Strongly Agree = 1, Agree = 2, Slightly Agree = 3,
Slightly Disagree=4, Disagree = 5, Strongly Disagree = 6.

SN	Statements	1	2	3	4	5	6
1	I invest frequently in Stock Market.						
2	I am very confident about the current stock market trend of Nepal.						
3	I take loan very often for the purpose of investing in securities.						
4	I usually calculate stock price and buy stocks						
5	I keep on watching dividend policy of companies and invest accordingly.						
6	I prefer to buy only in IPO in Stock Market.						

3   Investment Decision Behavior

3.1 Please Tick (✔) on corresponding box

Strongly Agree = 1 , Agree = 2 , Slightly Agree = 3 , Slightly Disagree=4 , Disagree = 5 Strongly Disagree = 6.

SN	Personal Attributes (PA)	1	2	3	4	5	6
1	I look long term gain rather than short term.						
2	I am confident that the script will be profitable while buying particular script.						
3	I generally buy stocks with less volatility and which have more safety.						
4	I tend to invest in stocks from my previous mind-set.						
	Social Interactions (SI)	**1**	**2**	**3**	**4**	**5**	**6**
5	I take advice from financial advisor while investing in securities.						
6	I take advice from Stock Broker while investing in securities.						
7	I take advice from my family and friends.						
8	I prefer to buy stocks when particular stock has high market noise.						
	Company Profile (CP)	**1**	**2**	**3**	**4**	**5**	**6**

		1	2	3	4	5	6
9	I prefer to buy stocks by looking the financial statements of the firm.						
10	I prefer to buy stocks by looking the particular script past prices.						
11	I prefer to buy stocks by looking the status of the Company in terms of their rating.						
12	I prefer to buy stocks by looking the published information in Newspaper.						
13	I prefer to buy stocks by looking the firm future prospects.						
	Regulatory Policies (RP)	1	2	3	4	5	6
14	I prefer to buy stocks of that company when the Company is highly regulated.						
15	I prefer to buy stocks where the BoD members have high work ethics.						
16	I prefer to buy stocks when the company has independent management team.						
17	Government should regulate all listed companies.						
	Firm's Image (FI)	1	2	3	4	5	6
18	I prefer to buy stocks when the company having large number of branded Products/Services.						
19	I prefer to buy stocks when the company has foreign investment i.e. joint venture.						
20	I prefer to buy stocks which fall in Class A category of NEPSE.						
21	I prefer to buy stocks when the company has more public Image.						

Any things more to say about stock market: -
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Thank you.

Appendix – II
Average Values of IB, PA, SI, CP, RP and FI

S.N	Investment Behavior (IB)	Personal Attributes (PA)	Social Interactions (SI)	Company Profile (CP)	Regulatory Policies (RP)	Firm's Image (FI)
1	3.83	4.25	3.25	3	2.5	2.5
2	1.83	2.25	3.25	2.4	2.5	2.25
3	2.83	2.25	2.25	2.8	1.75	3
4	1.50	2.5	2	1.2	1.5	2.75
5	1.50	1.5	3.75	3.2	1.75	3
6	1.67	2.5	3	1.8	2	2.25
7	1.83	1.25	2.25	2.2	4.5	2.25
8	1.17	1	1.25	2	2.25	1.5
9	1.67	1	1.5	2	1.5	1.75
10	1.83	1.5	1.25	1.4	2.5	3
11	1.33	1.5	2.75	1.8	1.25	2
12	3.50	1.5	1.75	2	2	2.5
13	3.00	1.75	4	2	2.5	2.5
14	3.33	3.5	3.5	3.2	3.5	3.25
15	3.00	2.25	3.25	2.4	1.75	1.75
16	3.17	3.75	3	3.6	3.75	2.75
17	2.33	3	2.5	2.2	1.75	1
18	1.50	1.5	1.5	1.6	1.5	1.5
19	1.83	1.75	1.75	1.6	1.5	1.5
20	2.50	2.75	4.25	3.2	3	3
21	2.33	2	4.25	1.6	1.75	2.75
22	2.50	2.25	2.75	2.4	2	2
23	2.83	3.25	4.5	2	1.5	2
24	3.00	3.75	3	2.4	2.5	1.75
25	2.50	1.5	3.5	1.8	2.25	2.25
26	3.00	3	1	2	4.5	1.5
27	3.17	2	2.5	2.4	2.5	1.75
28	2.83	3	1.75	2.6	3	2
29	3.17	3.25	3.25	1.8	2	2
30	3.33	3.75	4	2	1.75	2.5
31	3.00	2.75	4.5	3.4	2	2.5
32	2.83	3.5	3.75	2.2	3.25	3.75
33	3.17	2.75	3	3.6	2.75	3.25
34	3.00	4	4	2.6	2	2.25
35	2.33	2.5	2.5	4.8	5	5.5
36	1.17	6	1	3	1	3.5
37	2.50	1	1.25	1.2	2.25	1.5

38	2.33	2.5	3.25	2.6	2.5	2.5
39	2.17	1.25	1.5	1.4	3.25	1.5
40	1.17	4	1.25	3	5.25	2.75
41	1.83	1.5	2	1.4	1.75	1.5
42	3.17	3.5	3	2.8	2	3
43	2.67	2	2	2.2	1.75	2.75
44	2.33	2.25	1	1.2	1.25	1
45	2.17	1.75	1.5	1.2	2	1.25
46	2.83	1.75	2.75	1.2	1.25	1.75
47	2.00	1.25	3.5	1.2	1	1.75
48	2.17	3.25	3	3.2	3.75	3.25
49	2.33	1.25	3	2.4	2.5	2
50	2.00	3.5	3	2.8	3	3.75
51	2.33	2.75	4	2.4	3.75	4.5
52	3.17	3	2.25	1.8	3.5	2.25
53	1.00	1.5	1.5	1	4.75	1
54	2.33	3.5	3.75	2.2	1.75	2
55	2.67	2.5	3.25	2	2.75	2
56	2.50	2.25	1.5	1	1.25	1.25
57	1.83	1.75	3.5	2	2.75	1.75
58	1.17	2.25	2.75	1.6	2	1
59	3.00	2	5.25	3	1.75	3.75
60	3.00	2	3.25	6	6	6
61	3.67	2.75	3.25	2.6	1.75	2.75
62	3.67	2.25	3.75	2	2.75	2
63	2.33	1.75	3	1.4	1.25	1.5
64	2.33	1.5	3.25	1.8	1.5	2.5
65	3.33	2.5	3.75	3.2	3.5	3.25
66	1.83	1	3.25	1	1	2.5
67	2.83	1.75	3.75	2.4	2.5	3.25
68	1.83	2	2	1.8	2.25	2.5
69	3.17	2.75	3	2.4	2.5	2.5
70	1.83	1	1.75	2.2	1.5	1.25
71	3.00	2	4.75	2.2	1.5	3.25
72	2.17	1.25	3.5	1.4	1	1.5
73	3.67	2.5	2.5	1.8	1	1.75
74	3.17	1	1.5	1.6	1.75	2
75	1.83	1.25	2.5	1.4	1.75	2.5
76	1.33	1	1.5	1.8	1.75	2.25
77	1.50	2	1.5	1.6	2.25	2
78	1.17	1.75	1.5	1.4	2.5	2.25
79	1.83	1	2.75	1.6	1.5	2.5

80	1.83	1.5	2.5	1.6	1.5	1.75
81	2.33	1.75	2.75	1.6	1.5	2.25
82	3.00	2.25	3	2	2.75	3.25
83	3.67	2.25	3.25	1.8	2	2.5
84	4.00	2.25	4	3.2	2.75	3.5
85	2.67	2.25	3.75	1	1.5	3
86	3.83	4.25	3.25	3	2.5	2.5
87	1.83	2.25	3.25	2.4	2.5	2.25
88	2.83	2.25	2.25	2.8	1.75	3
89	1.50	2.5	2	1.2	1.5	2.75
90	1.50	1.5	3.75	3.2	1.75	3
91	1.67	2.5	3	1.8	2	2.25
92	1.83	1.25	2.25	2.2	4.5	2.25
93	1.17	1	1.25	2	2.25	1.5
94	1.67	1	1.5	2	1.5	1.75
95	1.83	1.5	1.25	1.4	2.5	3
96	1.33	1.5	2.75	1.8	1.25	2
97	3.50	1.5	1.75	2	2	2.5
98	3.00	1.75	4	2	2.5	2.5
99	3.33	3.5	3.5	3.2	3.5	3.25
100	3.00	2.25	3.25	2.4	1.75	1.75
101	3.17	3.75	3	3.6	3.75	2.75
102	2.33	3	2.5	2.2	1.75	1
103	1.50	1.5	1.5	1.6	1.5	1.5
104	1.83	1.75	1.75	1.6	1.5	1.5
105	2.50	2.75	4.25	3.2	3	3
106	2.33	2	4.25	1.6	1.75	2.75
107	2.50	2.25	2.75	2.4	2	2
108	2.83	3.25	4.5	2	1.5	2
109	3.00	3.75	3	2.4	2.5	1.75
110	2.50	1.5	3.5	1.8	2.25	2.25
111	3.00	3	1	2	4.5	1.5
112	3.17	2	2.5	2.4	2.5	1.75
113	2.83	3	1.75	2.6	3	2
114	3.17	3.25	3.25	1.8	2	2
115	3.33	3.75	4	2	1.75	2.5
116	3.00	2.75	4.5	3.4	2	2.5
117	2.83	3.5	3.75	2.2	3.25	3.75
118	3.17	2.75	3	3.6	2.75	3.25
119	3.00	4	4	2.6	2	2.25
120	2.33	2.5	2.5	4.8	5	5.5
Total	**296.17**	**278.50**	**336.50**	**267.00**	**280.25**	**287.00**