

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

Financial markets are more fragile than other markets. The inefficiency and incompleteness of financial markets is particular concern to economists because the smooth operation of these markets is essential for the functioning of most other markets in the economy. Psychological factors play a dominant role in decision making regarding investment in financial market. That's why there is an immense significance to study all these factors comprehensively to know their impact in today's scenario. 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 gains. 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 invested lot in financial market.

Nepal Stock Exchange (NEPSE) was established in 1994 with the objective of imparting free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through members, market intermediaries, such as broker and market makers. Major financial instruments trading in NEPSE include corporate shares, debentures, government bonds and mutual funds. Securities Board of Nepal (SEBON) facilitates the orderly development of a dynamic and competitive capital market and maintains its credibility, fairness, efficiency, transparency and responsiveness under the Securities Act 2006. It is an apex regulator of the securities market in Nepal. SEBON is weak, both in terms of fund and human resources, particularly in legal and accounting. In the eighteen years' study (1993/94 - 2010/11), the average market capitalization was Rs. 140376.4 million with the highest capitalization of Rs. 512939 million in 2008/09 and the lowest capitalization of Rs.12295 million in 1995/96. However, average value traded ratio was 0.65 percent with the highest of 2.8 in 2007/08 and the lowest of 0.08 in 1995/96. Nepal Stock Exchange had an annual average turnover of 4.31 percent for the same period. Similarly, the average number of listed companies in the Nepal stock market for

1993/94-2010/11 was one hundred and twenty two companies with average annual growth rate of 6.93 percent.

The number of applicants in share market is skyrocketing in the recent years. Increase in the number of applicants has also increased the number of Demat account holders in the country. In recent days, many new companies have issued initial public offering (IPO) successively. Due to which on one hand, the number of investors are increasing and on another the number of applications received in those IPO issue has also skyrocketed in the recent days. According to Chote Lal Rauniyar, Chairman of Nepal Investors' Forum, decline in income resources due to lockdown and interest rate cut down by banks attracted the general public towards the stock market. Squeeze in income opportunity has tremendously increased the number of applications in the IPO issues. (merolagani.com, august 25, 2020)

As per the data of Central Depository System (CDSC), a total of 1,837,000 Demat accounts have been opened by August 25. Suresh Neupane, spokesperson of CDSC says that opening of IPOs has increased the number of Demat account holders as well. Recently, three companies including Reliance Life Insurance, Samaj Laghubitta and NRN Infrastructure and Investment Company issued IPOs back to back. These public offerings attracted such a massive responses that the system went overload for a certain period. It shows that the primary stock market is a huge potential market for the upcoming as well as established companies. Thus the regulators should gear up for the demands being created. (merolagani.com, august 25, 2020)

Kahneman and Tversky (1979) rigorously studied the concept of behavioral finance and recognized as the father of this hottest concept. They have presented a paper on the critique of expected utility theory which empirically found out that people underweight those outcomes that are just possible in comparison to the outcomes that are obtained with certainty. They have thrown prospect theory in which value is assigned to gain and losses rather than to final assets and probabilities are replaced by decision weights. In 1981, they introduced the concept of framing. They have presented that psychological principles that govern the perception of decision problems and to evaluate the probabilities and outcome produced predictable shift of preference when the same problem is framed in different ways.

Further, Shiller (2003), commences to portray the evolution of the idea that efficient market might be feasible at micro level but not at macro level many years ago. It implies that movement in price of individual stock is more imperative as compared to the total stock market. Apart from above feedback model states that investors more often relate their trade-based off behaviour on the basis of other investors trade-based off behaviour rather than the information available in the market. This kind of behaviour creates bubbles in the stock market.

Fares and Khamis (2011) investigated individual investors' stock trading behavior at the Amman Stock Exchange, Jordan, using the multiple regression technique. They identified four behavioral factors (age, education, accessibility to the internet and interaction between the investor and his/her broker) that influenced investors' trading decisions. According to the authors, investor's age, education, and his/her accessibility to the internet had a significant and positive effect on stock trading, while the interaction between the investor and his/her broker, had a highly significant and negative effect.

Sahni, (2012) the majority of the investors expects ideal returns on their investment and depends on elementary analysis of company to make their investment decisions. It was found that risk adverse behavior of investors invokes them to trade in gaining shares initially as compared to loss making shares. Investor's perceptions are greatly influenced by the past performance of stock market.

Chaudhary (2013) examines the meaning and importance of behavioral finance and its application in investment decisions. He has also discussed some trading approaches for investors in stocks and bonds to assist them in manifesting and controlling their psychological roadblocks.

Behavioral biases are wrong and potentially damaging behaviors caused by erroneous decision. Behavioral finance helps us better understand the investors' behavior and real market practices. It thus can help investors make better investment decisions in the very complex and complicated financial market places.

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 individual investors' decision-making process based on the Nepalese investors.

## **1.2 Statement of Problem and research questions**

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 in defining the market trend, which then influences the economy. To understand and give some suitable explanation for the investors' decisions, it is important to explore which behavioral factors influencing the decisions of individual investors at Nepalese stock market. The attitude toward investment toward 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 investors. Recent literature in empirical finance is surveyed in its relation to underlying behavioral principles which come primarily from psychology, sociology and anthropology, (Shiller, 2003). 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. Kaleem, Wajid and Hussain (2009), in a study of factors affecting financial advisors perception in portfolio management in Pakistan, found that age, income, language and orientation of education have a significant role in determining the investment style of an investor.

Merilkas & Prasad (2003).The study was conducted to analyze factors influencing Greek investor behavior on the Athens Stock Exchange. The results indicate that individuals' base their stock purchase decisions on economic criteria combined with other diverse variables. They do not rely on a single integrated approach, but rather on many categories of factors. The results also revealed that there is a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behavior of active investors in the Athens Stock Exchange (ASE) influencing by the overall trends prevailing at the time of the survey in the ASE.

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 sought to find out the results of the individuals' investment decisions. 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 individual investor's decision making behavior in stock market. The study dealt with the following issues:

- What are the major factors affecting individual investors investment decision making behavior?
- What is the relationship between social interactions on investor's decision making?
- Does information affect the decision of investor?
- What is the relationship between psychological factors on investment decision?
- Does a regulatory policy affect the decision of investors?
- What is the relationship between firms image on investment decision?

### **1.3 Research purposes**

The main purpose of the study is to examine the factors influencing individual investors' investment decision making behavior.

The specific objectives of the study are:

- To examine the relationship between psychological factors and investment behavior of individuals.
- To identify the effect of information on investors decision making behavior.
- To examine the impact of regulatory policies on investment decision.
- To identify the effect of social interaction and firms image on investment decision.

#### **1.4 Research hypothesis**

These studies estimate the following null hypothesis to be tested:

##### **Hypothesis H01:**

Null Hypothesis:

There is no significant effect of the psychological factors on investment decision making behavior of individual in stock market.

##### **Hypothesis H02:**

Null Hypothesis:

There is no significant effect of the information on investment decision making behavior of individual in stock market.

##### **Hypothesis H03:**

Null Hypothesis:

There is no significant effect of the regulatory policies and investor's decision making behavior of individual in stock market.

##### **Hypothesis H04:**

Null Hypothesis:

There is no significant effect of the firm's image and investor's decision making behavior of individual in stock market.

#### **1.5 Significance of Study**

The findings of any well planned and effectively executed research may directly or indirectly contribute to various individual, institutions and stakeholders. The study provides an overall view of the factors influencing the individual investors' decision making behavior while making investment decision in securities.

The study tries to explore the effect of psychological, social interaction, Information, Regulatory Policies and finally Firms Image on building individual investors decision making behavior in stock market. Further it explores the overall behavioral factors of investors in making investment decision through the perception building factors. Since, this report has shown there is significant effect of rules and regulation on investment decision making this report mainly benefits investors by the help of regulatory bodies to makes good plans and policies to support the stock market and to bring the stability in NEPSE and to run the stock market efficiently by providing the required information to all the investors at once and reaching to large number of investors.

It principally contributes to investors; Individual and Institutions, the shareholder's bank and the companies. The finding of this study can be used by the stakeholders to know about the factors that are responsible for influencing the investment decision and can make the effective investment decisions. New investors can also get an idea about the factors that should be considered and analyzed before making an investment in the stock market. So, new investor can minimize the risk associated with the investment and maximize the investment return by making the right investment decision.

Finally, this study is helpful for individual investors by identifying their major influencing factors in their investment decision which would have effect on their financial planning. Likewise, it may also be useful for institutional investors while making their investment strategies, plans and policies.

### **1.6 Limitations of study**

- i. The behaviors of the participants vary depending on market condition and collecting information might get affected.
- ii. The analysis has focused in the investors about their knowledge, perception and behavior on different financial instrument and their investment decision. (belief, value, attitude, perception and some other psychological factors are used in this study)
- iii. The study has been conducted over individual investors of Kathmandu Valley (we use convenience sampling). So, it cannot be generalized for the entire market participant in the stock market.

- iv. The study is confined to Kathmandu Valley only, the findings cannot be generalized.

## **1.7. Chapter plan**

### **Chapter I: Introduction**

This first chapter provides the background information of the study, statement of the problem, objectives of the study, significance of the study, and limitation of the study. Therefore this chapter provides summary of overall study.

### **Chapter II: Review of the literature**

Review of the literature is very important part of every research. This chapter includes conceptual review, review of previous work, and research gap.

### **Chapter III: Research methodology**

This chapter constitutes the methodology adopted to conduct the study, data analytical techniques, and process. This chapter also contains research design, population and sample, sources of data, data collection methods and statistical tools.

### **Chapter IV: Result**

This chapter is the major part of the study, which is concerned with presentation, data analysis, interpretation of the data, discussion and sum up of results.

### **Chapter V: Conclusion**

This chapter includes the conclusion and implementation for the study.

References and appendix have also been incorporated at the end of this thesis.



## **CHAPTER II**

### **LITERATURE REVIEW**

#### **Introduction**

This section of the research reviews the scholarly articles of expert who have worked and written about behavioral finance. The theoretical framework of this particular will be derived on these reviews made.

#### **2.1 Conceptual review**

##### **2.1.1 Financial market**

Financial market denotes the place or mechanisms where financial instruments are traded. Financial instruments denote also paper evidence, showing the exchange of instruments between concerned parties. A financial market is a place where firms and individuals enter into contracts to sell or buy specific products, such as stocks, bond on future contracts. This market provides a meeting place for buyers and sellers where price is determined.

Financial markets provide a forum in which suppliers of funds and demanders of loans and investments can transact business directly whereas the loans and investments of institutions are made without the direct knowledge of suppliers of funds (savers), suppliers in the financial markets know where their funds are being lent or invested .The two key financial markets are the money market and the capital market .Transactions in short term debt instruments , or marketable securities (bonds and stocks ) are traded in the capital market (Gitman, 1988).

##### **2.1.2 Behavioral finance**

Kahneman and Tversky (1979) rigorously studied the concept of behavioral finance and recognized as the father of this hottest concept. They have presented a paper on the critique of expected utility theory which empirically found out that people underweight those outcomes that are just possible in comparison to the outcomes that are obtained with certainty. They have thrown prospect theory in which value is assigned to gain and losses rather than to final assets and probabilities are replaced by decision weights. In 1981, they introduced the concept of framing. They have presented that psychological principles that govern the perception of decision

problems and to evaluate the probabilities and outcome produced predictable shift of preference when the same problem is framed in different ways.

### **2.1.3 Investment behavior**

Fares and Khamis (2011) investigated individual investors' stock trading behavior at the Amman Stock Exchange, Jordan, using the multiple regression technique. They identified four behavioral factors (age, education, accessibility to the internet and interaction between the investor and his/her broker) that influenced investors' trading decisions. According to the authors, investor's age, education, and his/her accessibility to the internet had a significant and positive effect on stock trading, while the interaction between the investor and his/her broker, had a highly significant and negative effect.

## **2.2 Review of journals and articles**

This section of the research reviews the scholarly articles of expert who have worked and written about behavioral finance. The theoretical framework of this particular will be derived on these reviews made.

Khanam (2017) examined 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 paper explores for the first time the link between demographic characteristics and investment amount of general investors. The study concluded that the different demographic factors' interaction has a positive effect on yearly average investment amount of general investors.

Kimeu, Anyango and Rotich (2016) conducted a study on Behavioral Factors Influencing Investment Decisions among Individual Investors in Nairobi Securities

Exchange. Investment decision making is influenced by either modern or traditional finance. In traditional finance the investor has to determine the intrinsic value of a security to establish whether it's overvalued, correctly or undervalued. The tradition of traditional finance demands use 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 shows that investment decisions in the Nairobi Securities Exchange are positively influenced by behavioral factors including prospect, herding, heuristic and rationality.

Adhikari and Phuyal (2016) this research is based on political unrests and fluctuations of the stock market in Nepal. Researcher attempt to fill this research deficit by performing a threefold analysis on the influence of politics on Nepali share market. First, Researchers perform 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, we perform 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 show such a 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.

Akbar (2016) conducted a study to identify 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 on the basis of accounting information and most of times their decisions depend on the recommendations of stock brokers, co-works, friends and family. It is suggested that higher authorities should focus on this issue because stock markets can be easily manipulated if investors rely on other recommendations while making investment decisions.

Jagongo and Mutswenje (2014) another research on Nairobi Stock Exchange found out 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.

Ali and Tariq (2013) 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), Another research conducted at Pakistan to identify 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.

Thapa (2013) it is 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.

Aduda, Odera and Onwonga (2012) Behavioral finance 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 identify 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.

Kadariya (2012) conducted a study to identify 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% of the respondent 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 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.

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.

Varadharajan and Vikkraman (2011) focus on identifying the investors' perceptions towards investment decision in equity market. Using ANOVA on a sample size of 50 investors in Coimbatore they study their attitude towards selection of stock, company,

risk, equity portfolio, financial affairs and their expected return. They find that there exists an independency between the demographics, majority of the factors and the returns obtained.

Nayak (2010) seeks to examine the nature of investor's grievances and also to evaluate the role of grievance redressal agencies. Using convenient random sampling technique he collects primary data on the investor's demographic profile, knowledge about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain and their satisfaction level in Valsad district of Gujarat State. By using chi square analysis he shows that there is significant difference between the various demographic variables and investor's knowledge of grievances, awareness of functions of redressed agencies, loading of complain and their satisfaction level.

Sindhu, Kalidas and Anil (2014) try to analyze the various factors influencing investor sentiments in the Indian stock market. They use both secondary and primary data for the study. They collect secondary data for the study from books, journals, periodicals, various websites, and government publications and primary data from 60 staffs (both teaching and non-teaching) in the NSS College, Nemmara who are selected by convenience sampling method and Multi-stage sampling method. Using percentage, mean, standard deviation, Cronbatch alpha and ANOVA with the help of SPSS they conclude that there exists significant relationship between gender of the investors and the factors like herd behavior, risk factors, and confidence and performance factors.

Dash (2010) studied on 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 on the basis of Age and on the basis of Gender. The study concluded that investor's age and gender predominantly decides the risk taking capacity of investors.

Kabra, Mishra and Dash. (2010) studied the factors effecting investment behavior and concluded that investors' age and gender are the main factors which decide the risk taking capacity of investors and that the modern investor is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments according to their risk preference. For e.g. Risk averse peoples chooses life insurance policies, fixed deposits with banks and post office, PPF and NSC. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions. Though they are in the trap of some kind of cognitive illusions such as overconfidence and narrow framing, they consider multiple factors and seek diversified information before executing some kind of investment transaction.

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. They used Carter and Manaster's (1990) measures of underwriter quality, as updated by Carter, Dark, and Singh (1998) and Loughran and Ritter (2004), to rank each underwriter. 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 outperform 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.

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 investors' behavior and risk. He 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 actually risk averse in their characteristics show the risk seeking behavior by holding the losing investments.

Waweru, Munyoki, and Uliana (2008) indicate 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 they 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.

Hoffmann (2007) in his study on Social Dimensions of Investor Behavior 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 also request more information from these others before making their own decisions.

Somil (2007) observed that the proponent of the theory of rational investor assume that an individual makes a decision on the basis of the principles of maximization, self-interest and consistent choice. According to him, rationality also assumes that an investor has perfect information of his surroundings and makes the decisions with the sole objective of profit maximization. The reasoning derivable from this principle of

rationality is that the capital market must be efficient. Capital market efficiency implies that all information regarding the market is fully and instantaneously reflected in security prices and available to all investors. But most capital markets operate under inefficient conditions, making rational decisions impossible.

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 behaviour of the UAE investor behavior, namely the religious reasons and the factor of family member opinions.

Al-tamimi (2005) 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.

Kadiyala and Rau (2004) investigated 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 have a tendency to overreact to information, leading to a pattern of longterm return reversals when firms announce corporate events such as new issues of stock. In the second model, investors underreact to information, leading to longterm 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 underreact to an event such as a share repurchase.

Volpe et al. (2002) argued that online investors should have more knowledge than normal investors to succeed in the securities markets, because they are more likely to be surrounded by financial misinformation and manipulation. Therefore, the authors examined investment literacy of 530 online investors and the difference in the literacy level among various groups of participants using age, income, gender, education, and previous online trading experience as variables. The study demonstrated that the level of financial literacy varied with people's education, experience, age, income, and gender. Particularly, women had much lower financial literacy than men and older participants performed better than younger participants. As well, online traders had higher knowledge than others. Moreover, investors with higher income had more knowledge in investment than those with lower income, and investors with college or higher degree performed better than those with low education.

Schmidt and Spreng (1996) specially focused that better-educated Investors have a more extensive knowledge structure and are more capable of identifying, locating, and assimilating relevant information. Therefore, Investors with a higher education level would be able to search using sources that require more knowledge, such as books, newspapers, or the Internet. Moreover, Investors with higher educational levels may be more realistic about their own ability to invest and more open-minded toward professional service providers.

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 stock brokers, 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 stock brokers, 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, a majority of the shareholders surveyed also want the company to report on corporate ethics, employee relations and community involvement.

When public information is not in agreement with their private signal, biased self-attribution leads to dismissal of the information as noise.

Warren, Stevens, and McConkey (1990) 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 investors 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.

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.

Lewellen et al. (1977) had done study in the capital market investors but this study is based on primary market investors only. 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 but 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.

### **2.3 Review of previous thesis**

There are various masters' thesis prepared by various researchers in the past year. Among them, some of these are reviewed here for analysis of literatures.

Bhatta (1996) in his thesis paper "Assessment of the performance of listed companies in Nepal" concludes that a highly significant positive correlation ship has been addresses between risk and return chapter of the company. Investors expect higher

return from that stock, which associates higher risk. Nepalese capital market is not efficient one. So the stock price does not contain all the information relating to market and company itself. Neither investors analyze the overall relevant information of the stocks nor does the member of stock exchange try to disseminate the information. So the market return and risk both may not show high priced stocks. In the addition, Bhatta further addressed that Investors of Nepal have not yet practiced to invest in portfolio of securities. An analysis of the two securities portfolio shows that the risk can be totally minimized if the correlation is perfectly negative. In this situation, the risk can totally be diversified, but when there is perfectly positive correlation ship between the returns of the two securities the risk is not diversified.

Bhattarai (1990) has carried out on “Share Market in Nepal”. In which, he emphasized the historical background and the analysis of various financial variables affecting the smooth operation of share market. This study was mainly based on secondary data obtained from various sources. He has applied both financial and statistical tools in the study. He found that out of 12 sample companies 2 companies were useful to cross over the average price-earning ratio, as a result, market price of shares were highly skewed. Moreover, there was mismatch between calculated and quoted price. However, he concluded that the involvement of more and more institutions as well as individual investors in capital market through broker’s network raised the transaction volume. Rumors spread by brokers and create genuine speculation. Fair plays of bulls and bears make market equilibrium resulting price stabilization speculation on the trading of shares is encouraged. Thus, the market starts to walk randomly reflecting true value of shares. Investors are facilitated by providing alternatives to make diversified portfolio.

#### **2.4 Research gap**

The literature review has given an idea that there is an influence of psychological factors on the behavior of individual investors which consequently affect the market too. This research paper particularly attempts to identify the key behavioral factors that affect the investment decision of individuals.

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 markets though researches on main stream finance have been done in plenty.

This particular research was focused on individual investors, so the big investors like companies, trading houses, and business buyers behavior are not studied despite the fact that 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, we can predict risk tolerance factors would be the major affecting factor along with psychology. However, social interaction and regulatory policies seems to be the major factors affecting investor's decision.

Behavioral finance is a new topic in the country so the hypothesis developed and factors considered can be subjective and many important factors might have been unobserved.

## **CHAPTER III**

### **METHODOLOGY**

#### **Introduction**

This chapter consists of explanation of methodology adopted for the study. It basically deals with the research design and plans initially, further it briefs about the sample size determination, and instruments that will use to collect the data, sources and method of data collection and finally the details about the data analysis tools and techniques are presented.

#### **3.1 Research plan and design**

The study is aimed at finding the individuals' behaviors that affect their decision of investment. Likewise, the research also tends to test the hypothesis related to relationship between behavioral factors and investment decisions.

The research follows the descriptive research design and analytical research design to describe the basic features of the data in a research. The descriptive research design is selected for the study to learn the profile of the respondents, presentation and description of the data collection, and to describe the characteristics of the investors. Descriptive research design is accepted design to be used because it is non-experimental in that it deals with the relationships existed between non-manipulated variables. The collected information is presented and analyzed using SPSS. The study has covered a wide range of factual questions about investment, perceptions and intentions, investors own characteristics and preferred investment avenues. The research used the quantitative approach where the questionnaire was administered to the respondents to find the facts regarding individual investors decision making behaviors.

#### **3.2 Population and sample**

Sampling design is the blue print of the data collection and dissemination of data for the research. Since, the study is about the behavioral factors affecting the decision of individual investors; the population for the study comprises all the individual investors of Nepal working in different fields. The census of the population is not desirable for this nature of study that is why a sample for the population has been selected. The sample size for this study includes 125 respondents. Those respondents



are from different categories such as government employees, private job holders, service providers, retired and students.

In order to collect required information from the individual investors, the sampling design has carefully and properly chosen for the study. Convenient sampling has adopted for the study as population is considered as 1,837,000 as per the data of Central Depository System (CDSC- 25august 2020) for the individual investors. Thus, to fill up the questions 3 broker houses were visited i.e. 41, 45 and 36. Broker house was chosen for convenient and that broker house with good turnover the day before questionnaire was distributed.

### **3.3 Data collection procedure**

The study was conducted through the primary survey. The data was collected through the structured questionnaire from the various individual investors in Kathmandu.

A survey was carried out to collect opinion of investors from questionnaire. All the questions included in the survey set were close ended i.e., it restricts the respondents within the given alternatives. The questionnaire was self-administered in nature where following method is used as per the situation. Questionnaire was printed and was given to the investors of Kathmandu valley. For filling up the questions 3 broker houses were visited i.e. 36, 41 and 45.

### **3.4 Data processing procedure**

The data for the study was collected through the closed ended structured questionnaire. The demographic characteristic of investor and different investment issues namely, investment experience and period of investment, investment criteria and stock related issues were incorporated in the questionnaire consisting single choice, multiple choices, ranking, Likert scale with 6 points scale will be included in questionnaire. Respondent will be asked to mark appropriate number on the scale from 1 (strongly agree) to 6 (strongly disagree) which indicate to what extent their investment decisions are affected by these factors. Hence, the questionnaire was prepared to measure the perception of the respondent with the view to measure either positive or negative response.

Likert question was based on the five factors and their characteristics. Psychological Factors (safety/security, short and long term gain, noise of market), Social Interaction

(advice from professional, broker, stock analyst and family and friend advice). Information (published information, past performance, status of industry). Regulatory policies (independent management team, highly regulated company, high work ethics) and Firms Image (more public image, foreign investment, branded products/services).

### 3.5 Reliability and validity of data

Reliability is the degree to which measures are free from error and therefore yield consistent results. Validity is the extent to which a test measure that we actually wish to measure. During the study, time to time visit with the expert instructor was done in order to ensure the reliability and validity of the study. Thus, the questionnaire preparation and distribution for data collection is ensure high reliability and validity because it was prepared in guidance of an expert, who oversaw the entire thesis development with pouring the set of standard in each step. To check the reliability of the data before data collection, Pilot testing was conducted with 10% of samples.

Table: 3.5.1

#### *Reliability of Independent Variables*

<b>Independent Variable</b>	<b>No. of Items</b>	<b>Cronbach Alpha</b>
Psychological factors	4	0.725
social interaction	4	0.769
Information	5	0.852
regulatory policies	4	0.805
firms image	4	0.788
Overall	21	3.939

The Cronbach's alpha coefficient technique was 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 the further analysis. The cronbach alpha for psychological factors is 0.725, social interaction is 0.769, information is 0.852, regulatory policies are 0.805 and firm's image is 0.788.

### **3.6 Data analysis tools and techniques**

The data was analyzed through the Statistical Package for Social Science (SPSS) software package and Microsoft Excel. SPSS is analytical and scientific software helps to organize the data, determine significant relationships and identify differences, similarities with and between different categories of respondents. For this research purpose, descriptive statistics, reliability analysis, regression, correlation test was performed in order to accomplish the objective of the study.

The structured questionnaire has been designed to conduct the survey. The questionnaire consists of single response and Likert scale questionnaire. Statistical tools are used for data analysis. Both qualitative and quantitative data analysis method is used with significance level set to 0.05. The following statistical tool is utilized for data analysis.

- Cronbach's alpha for reliability statistics
- Frequency and descriptive analysis.
- Inferential analysis (Pearson's coefficient of correlation, multiple regression analysis).

#### **Pearson's correlation coefficient**

Correlation can be measured by means of the correlation coefficient. Pearson's correlation coefficient is used in this research in order to examine the relationships between two or more research variables. If the value of the correlation coefficient is 1.0, then there is a perfect positive correlation between two variables (they increase together). In contrast, if the value of correlation coefficient is -1.0, it can be concluded that there is a perfect negative correlation between two variables (one increases while the other decreases). In addition, there is no relationship between two variables if the value of correlation coefficient is zero.

**Multiple regression analysis**

Multiple regression analysis is used to analyze the relationship between several independent variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables. Multiple regression analysis was used to examine the simultaneous effects of several independent variables on a dependent variable.

**Descriptive statistics**

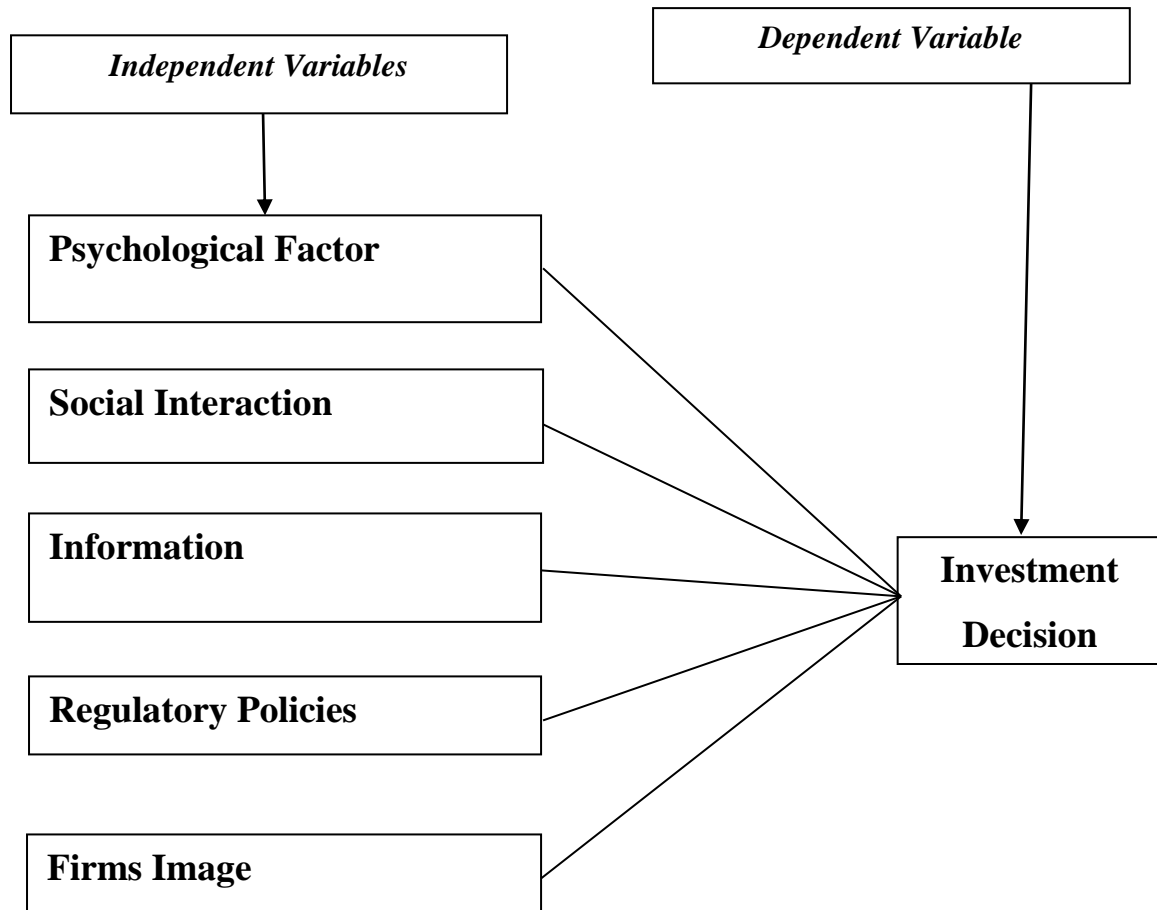
Descriptive statistics is used to explain the demographic characteristics of the respondents and the employees of the commercial banks. Descriptive analytical tools like frequency, percentage and mean is used. The analyzed data is presented by use of percentages, frequency tables. Average rank analysis also used to analyze reason of retention in commercial bank.

**3.7 Theoretical framework**

The investment is the postponement of current spending for the future purpose with the expectation of gain. The gain is the compensation for the investor's sacrifice. With the same notion, stock return is also a compensation for the sacrifice of current benefits. With the initiation of the issue of the share to the public, investment in the shares of the company was started. This investment trend 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 a particular 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 research work is presented below. It is developed after studying and reviewing several journals related to the topic.



*Figure 3.1: Conceptual Framework of the Study*

### 3.7.1 Defining variables

Research purpose is to answer the specific questions. For answering such underlying questions, we develop and define variables. There are two kinds of variables in this research:

**Independent variables:** Also called predictor, independent variables are those which the researcher changes deliberately in order to observe the relationship with other variables. It is also called controlled variables. The independent variables in this research are the behavioral factors affecting investors' decision.

- i. **Psychological factors:** Under this factor, Safety/Security, Long Term Gain Short term Return, Gut Feelings, Market Noise and previous mindset are considered.

- ii. **Social interaction:** This factor includes Advice from financial advisor, Broker Recommendation, Advice from Stock Analyst and Advice from Family Friends.
- iii. **Information:** Under this category, factors like Firm's Financial Statement, past performance, Firm's expected Return, Published information in Newspaper, Industry Status and recent price rise and fall are taken.
- iv. **Regulatory policies:** As there are several governing and monitoring bodies who are making various programs and policies to make the capital market perfect and mature so that there may be a good practice for the investment and protect the investors' money. SEBON has formed various rules and requirements for companies, traders and brokers that need to be followed by all the secondary market participants. Various regulatory factors considered are; Cost/Fee per trade or transaction, Trading time and day, Intervention by SEBON and NRB Directives.
- v. **Firm's image:** Under this category, factors like Firm's Product, foreign investment, public image are considered.

**Dependent variables:** The variables which are measured during research are called dependent variables. Here the dependent variable is investment decision of individual investors which include: type of investment securities, investment cap, duration of investment, frequency of investment, preference of investment in IPO, preference of reinvestment in stock market.

## CHAPTER IV

### RESULT AND DISCUSSION

After data were collected through questionnaire, the collected data were entered into the computer for the purpose of data analysis and management. SPSS and MS excel have been used for the purpose of analyzing and interpreting the data. Different tables were generated using SPSS to get detail information about the findings.

#### **4.1 Respondents profile**

This section includes the analysis of respondents with regards to their demography i.e. gender, age, income level, education level and occupation. The responses of respondents are presented according to the question patterns with observed frequencies. This section shows the frequency distribution of respondents involved with respect to their age, gender, income level, education level and occupation. Likewise, this section also includes the analysis of the most influencing factor for investment in shares under different variables.

Table 4.1

*Frequency of Respondents by Amount of Investment*

Investment (in Rs.)	Number	Percent
Up to 1 lakh	29	23.2
1 lakh to 2 lakh	13	10.4
2 lakh to 5 lakh	14	11.2
more than 5 lakh	69	55.2
Total	125	100

Table 4.1 shows the frequency distribution of respondents by the amount of investment in the table. Out of 125 respondents 23.2% has invested upto 1 lakh, 10.4% has invested 1 lakh to 2 lakh, 11.2 % has invested 2 lakh to 5 lakh, and 55.2% has invested more than 5 lakh.

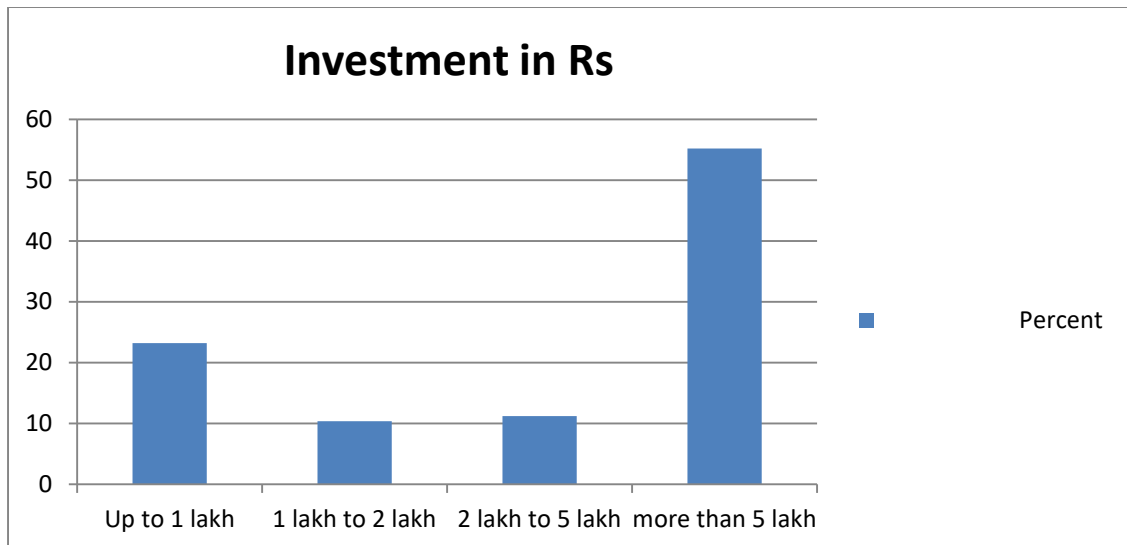


Figure: 4.1

*Bar Diagram of Respondents by Amount of Investment*

Figure 4.1 illustrates the frequency distribution of respondents by the amount of investment in bar diagram. Out of 125 respondents 23.2% has invested up to 1 lakh, 10.4% has invested 1 lakh to 2 lakh, 11.2% has invested 2 lakh to 5 lakh, 55.2% has invested more than 5 lakh.

Table 4.2

*Frequency of Respondents by Educational Level*

Education Qualification	Number	Percent
Below SLC	6	4.8
SLC	7	5.6
Plus Two	9	7.2
Bachelor Degree	39	31.2
Master Degree	63	50.4
Above Master Degree	1	0.8
Total	125	100

Table 4.2 shows that out of 125 respondents by respondents education qualification in the table, 4.8% is below SLC, 5.6% has completed SLC, 7.2% has completed plus two, 31.2% has completed their undergraduate, 50.4% have completed their post graduate and 0.8% has completed above Master Degree.



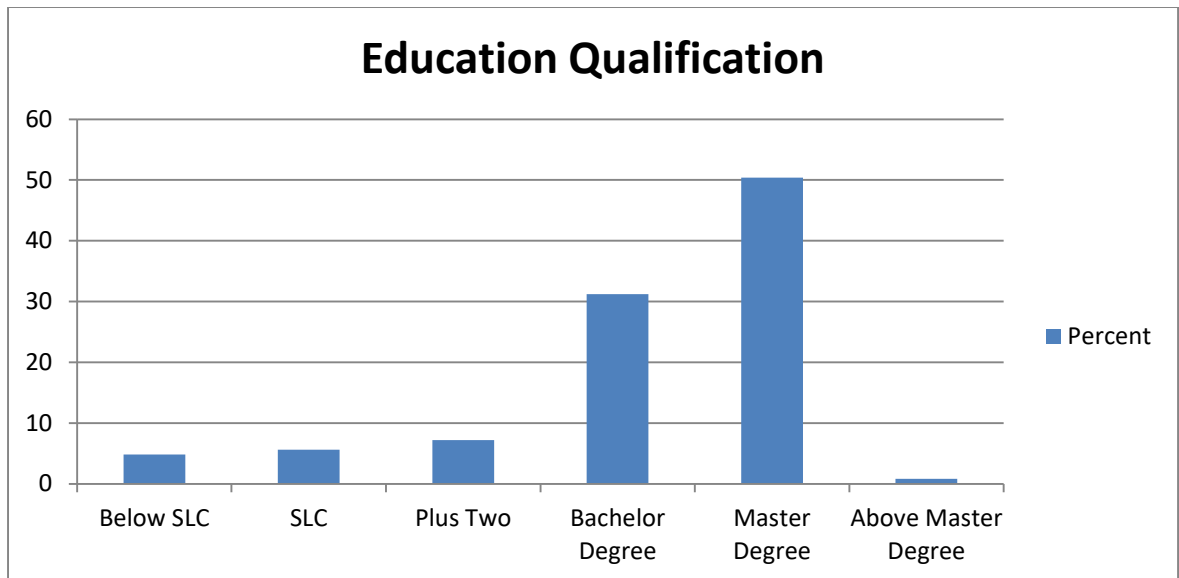


Figure: 4.2

*Bar Diagram of Respondents by Education Qualification*

Figure 4.2 illustrates the frequency of respondents by education qualification in bar diagram, it shows that out of 125 respondents, 4.8% is below SLC, 5.6% has completed SLC, 7.2% has completed plus two, 31.2 % has completed their undergraduate, 50.4 % have completed their post graduate and 0.8% has completed above Master degree.

Table 4.3

*Frequency of Respondents by Gender*

Gender	Number	Percent
Male	90	72
Female	35	28
Total	125	100

Table 4.3 shows the frequency distribution of respondents by Gender. Out of 125 respondents 72% were male and 28% were female.

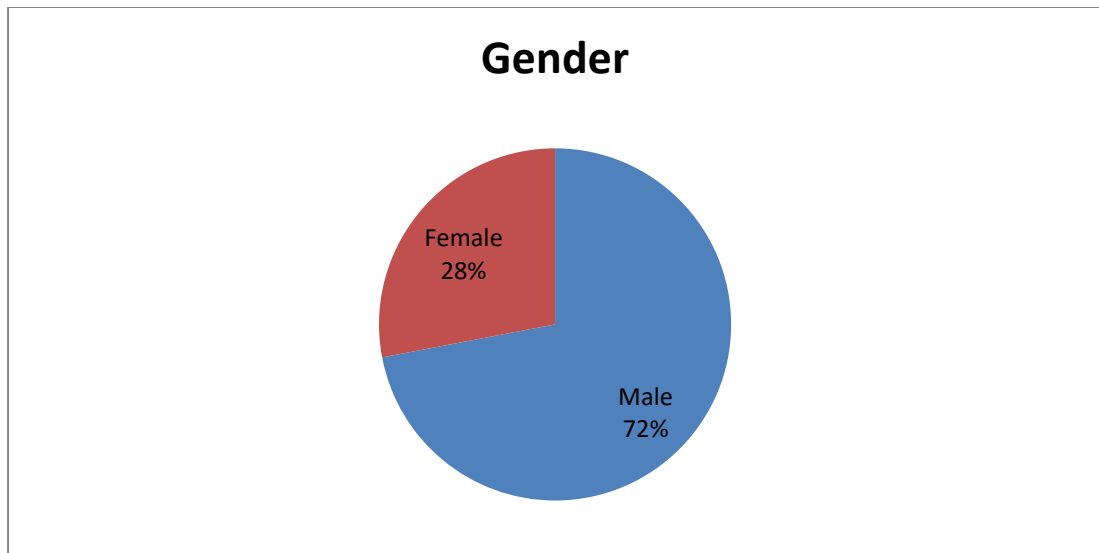


Figure: 4.3

*Pie Chart of Respondents by Gender*

Figure 4.3 shows the respondents by gender in pie chart, it shows out of 125 respondents 72% were male and 28% were female.

Table 4.4

*Frequency of Respondents by Age Group*

Age	Number	Percent
Below 20	1	0.8
20 to 25	17	13.6
25 to 30	25	20
30 to 40	44	35.2
40 and above	38	30.4
Total	125	100

Table 4.4 shows the frequency distribution of respondents by age group, the ages of the respondents are divided into five group i.e. below 20, 20-25, 25-30, 30-40 and 40

and above. Among the 125 respondents, 0.8% was below 20, 13.6% were 20-25, 20% were 25-30, 35.2% were 30-40 and 30.4% were 40 and above.

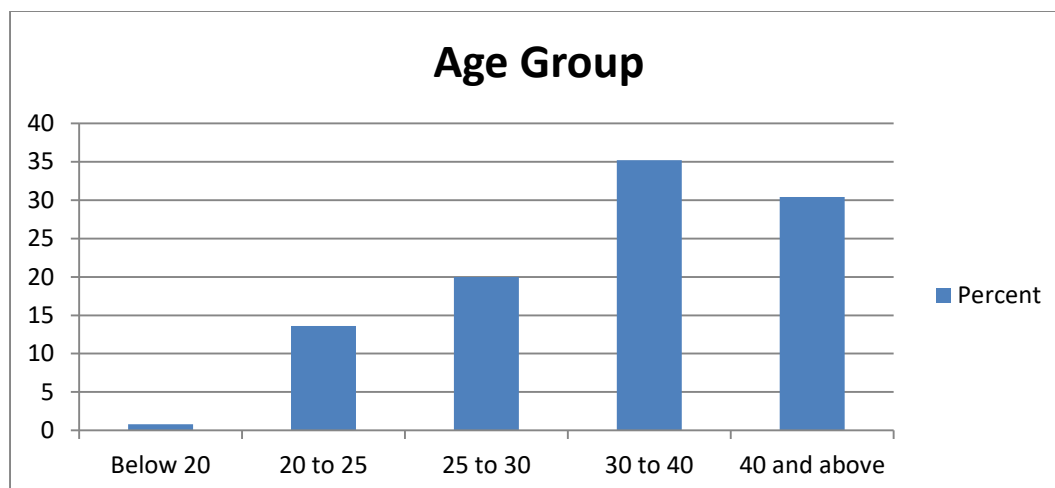


Figure 4.4

*Bar Diagram of Respondents by Age Group*

Figure 4.4 illustrates the frequency of respondents by age group in bar diagram, it shows that out of 125 respondents, 0.8% was below 20, 13.6% were 20-25, 20% were 25-30, 35.2% were 30-40 and 30.4% were 40 and above

Table 4.5

*Frequency of Respondents by Occupation*

Occupation	Number	Percent
Private Sector	50	40
Government Service	29	23.2
Business	30	24
Others	16	12.8
Total	125	100

Table 4.5 shows the frequency distribution of respondents by occupation. Among the 125 respondents, 40% were involved in private sector, 24% were business person, 23.2% were involved in government service and remaining 12.8% were others.

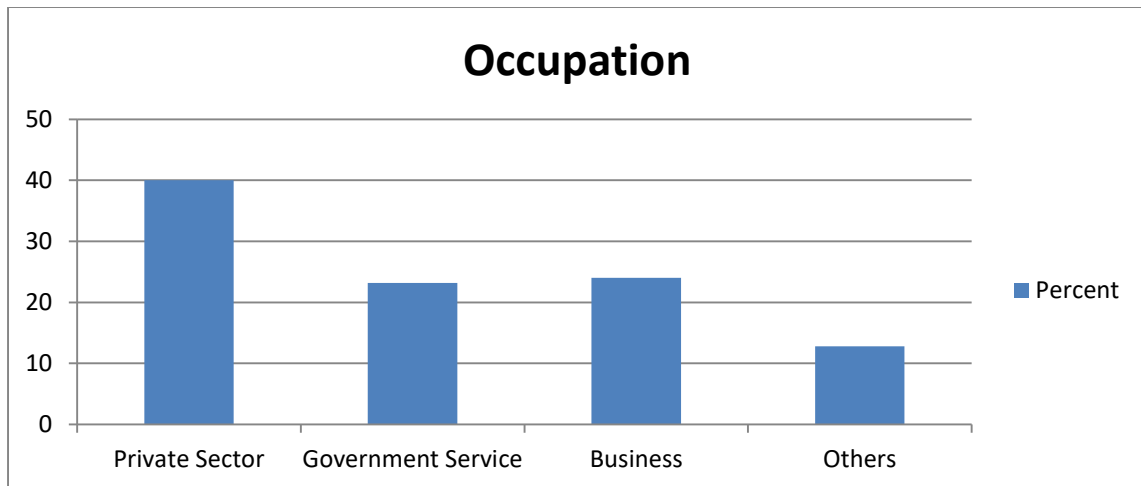


Figure 4.5

*Bar Diagram of Respondents by Occupation*

Figure 4.5 illustrates the frequency of respondents by occupation in bar diagram. Among the total 125 respondents, 40% were involved in private sector, 24% were business person, 23.2% were involved in government service and remaining 12.8% were others.

Table 4.6

*Frequency of Respondents by Marital Status*

Marital Status	No	Percent
Married	95	76
Single	30	24
Total	125	100

Table 4.6 shows the frequency distribution of respondents by marital status. Among 125 respondents, 76% were married and 24% were single.

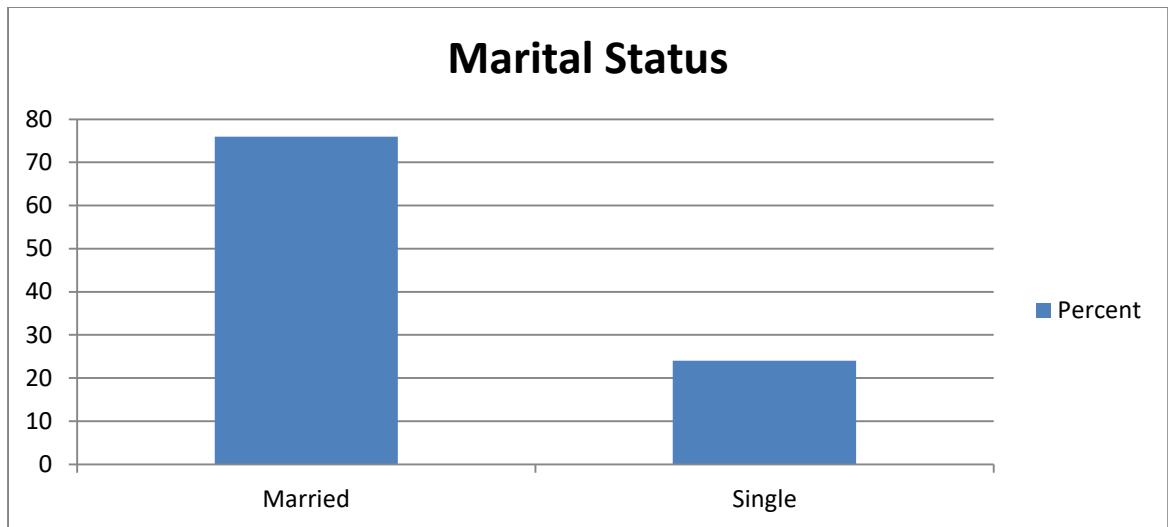


Figure 4.6

*Bar diagram of Respondents by marital status*

Figure 4.6 illustrates the frequency of respondents by marital status in bar diagram. Among 125 respondents, 76% were married and 24% were single.

Table 4.7

*Frequency of Respondents by Investment Experience*

Period of Investment	Number	Percent
Beginners(1-3) years	69	55.2
Experienced more than 3 year	56	44.8
Total	125	100

Table 4.7 shows the frequency distribution of respondents by investment experience. Among 125 respondents, 55.2% were beginners (1-3) years while 44.8 % of respondents were experienced (more than 3 years).

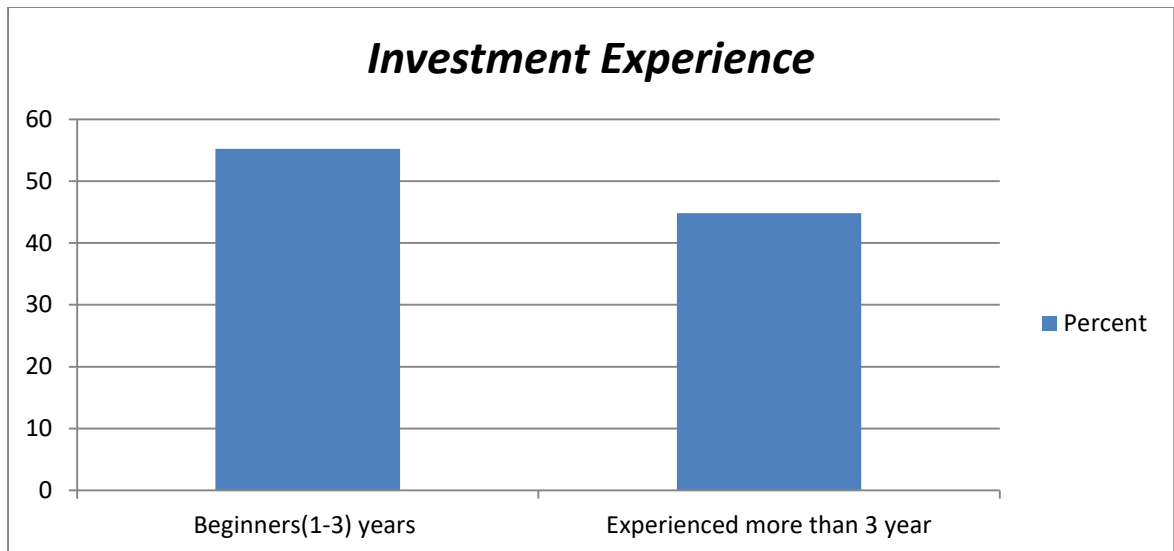


Figure: 4.7

*Bar diagram of Respondents by Investment Experience*

Figure 4.7 illustrates the frequency of respondents by investment experience in bar diagram. Among 125 respondents, 55.2% were beginners (1-3) years while 44.8 % of respondents were experienced (more than 3 years).

Table: 4. 8

*Frequency of respondents by Purpose of Investment*

Purpose of Investment	No. Respondent	Percent
Security	20	16
Capital Appreciation	27	21.6
Return	78	62.4
Total	125	100

Table 4.8 shows the frequency distribution of respondents by purpose of investment. Among the total 125 respondents, 16% of investor purpose of investment was security, 21.6% of investor purpose of investor was capital appreciation and 62.4% investor purpose of investment was for return

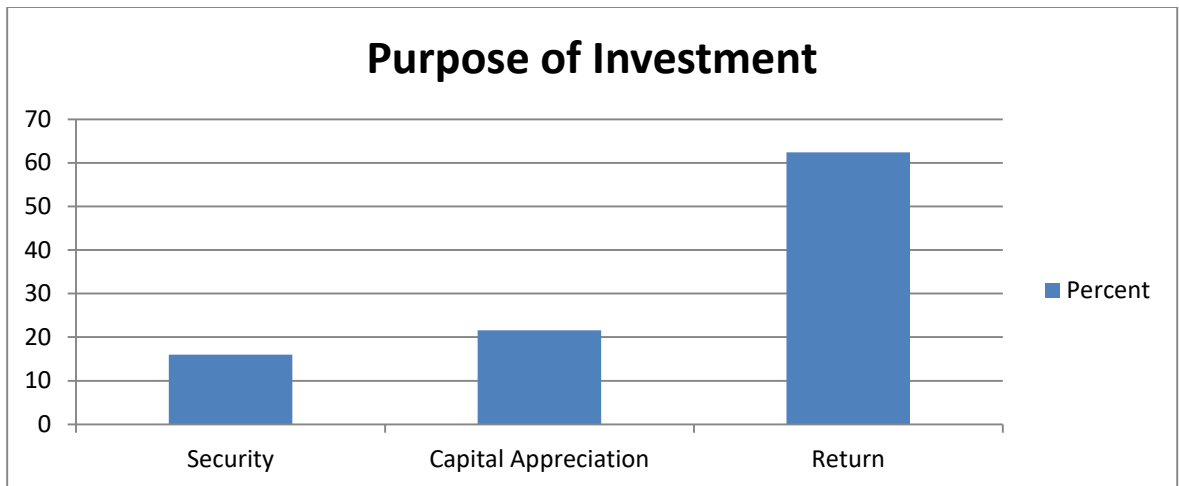


Figure: 4.8

*Bar diagram of Respondents by Purpose of Investment*

Figure 4.8 illustrates the frequency of respondents by purpose of investment in bar diagram. Among the total 125 respondents, 16% of investor purpose of investment was security, 21.6% of investor purpose of investor was capital appreciation and 62.4% investor purpose of investment was for return.

## 4.2 Descriptive analysis

### 4.2.1 Awareness of investors about investment decision

Descriptive analysis is a summary statistics that quantitatively describe or summarize 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 different variables of the study like psychological factors, social interaction, information, regulatory policies and firm's image.

Table 4.9  
*Descriptive Statistics of Psychological Factors*

Cod	Opinion Statement	Mean	Std. Deviation
PF1	I took long term gain rather than short term	2.22	1.367
PF2	I have strong gut feeling that will be profitable while buying particular script	2.46	1.051
PF3	I generally buy stocks with less volatility and which have more safety	2.47	1.335
PF4	I tend to invest in stocks from my previous mindset	2.84	1.362

Table 4.9 shows the mean score for the statement “I tend to invest in stock from my previous mindset” has 2.84 mean with standard deviation of 1.362 which means respondent only slightly agree with the given statement while the statement “I took long term gain rather than short term” is 2.22 with standard deviation 1.367 which means respondent agree with the given statement.

Table 4.10  
*Descriptive Statistics of Social Interaction*

Code	Opinion Statement	Mean	Std. Deviation
SI1	I take advice from financial advisor while investing in securities	3.18	1.714
SI2	I take advice from Stock Broker while investing in securities.	3.44	1.618
SI3	I take advice from my family and friends.	2.52	1.280
SI4	I prefer to buy stocks when particular stock has high market noise.	3.40	1.566

Table 4.10 shows the mean score for the statement “I take advice from Stock Broker while investing in securities” has 3.44 mean with the standard deviation of 1.618 which means respondent slightly agree with the statement while the statement “I take advice from my family and friends” has 2.52 mean with the standard deviation 1.280 which means respondent slightly agree with the given statement.



Table 4.11  
*Descriptive Statistics of Information*

Code	Opinion Statement	Mean	Std. Deviation
INF1	I prefer to buy stocks by looking the firm's financial statement.	1.98	0.933
INF2	I prefer to buy stocks by looking the particular script past prices.	2.76	1.240
INF3	I prefer to buy stocks by looking the status of the Company/Industry in terms of their rating.	2.08	1.008
INF4	I prefer to buy stocks by looking the published information in Newspaper.	2.57	1.200
INF5	I prefer to buy stocks by looking the firm future prospects.	2.10	1.015

Table 4.11 shows the mean score for the statement "I prefer to buy stocks by looking the particular script past prices" has 2.76 mean with the standard deviation of 1.240 which means respondent slightly agree with the statement while the statement "I prefer to buy stocks by looking the firm's financial statement" has 1.98 mean with the standard deviation 0.933 which means respondent agree with the given statement.

Table4.12  
*Descriptive Statistics of Regulatory Policies*

Code	Opinion Statement	Mean	Std. Deviation
RP1	I prefer to buy stocks of that company when the Company/Industry is highly regulated.	2.10	1.300
RP2	I prefer to buy stocks where the BOD members have high work ethics.	2.26	1.094
RP3	I prefer to buy stocks when the company has independent management team.	2.45	1.012
RP4	Government should regulate all listed companies.	1.98	1.251

Table 4.12 shows the mean score for the statement "I prefer to buy stocks when the company has independent management team" has 2.45 mean with the standard deviation of 1.012 which means respondent agree with the statement while the statement "Government should regulate all listed companies" has 1.98 mean with the standard deviation 1.251 which means respondent agree with the given statement.

Table 4.13  
*Descriptive Statistics of Firms Image*

Code	Opinion Statement	Mean	Std. Deviation
FI1	I prefer to buy stocks when the company having large number of branded Products/Services.	2.56	1.131
FI2	I prefer to buy stocks when the company has foreign investment i.e. joint venture.	2.60	1.301
FI3	I prefer to buy stocks which fall in Class A category of NEPSE.	2.61	1.528
FI4	I prefer to buy stocks when the company has more public Image.	2.33	1.301

Table 4.13 shows the mean score for the statement “I prefer to buy stocks which fall in Class A category of NEPSE” has 2.61 mean with the standard deviation of 1.528 which means respondent slightly agree with the statement while the statement “I prefer to buy stocks when the company has more public Image” has 2.33 mean with the standard deviation 1.301 which means respondent agree with the given statement.

### 4.3 Inferential analysis

#### 4.3.1 Correlation analysis

Presented in Table 4.14, shows Pearson’s correlation analysis between dimension of behavior biases and individual investors decision making.

There is negative relationship between psychological factors and individual investors decision making as p value is 0.555. i.e  $p > 0.05$ .

There is positive relationship between social interaction and individual investors decision making as p value is 0. i.e  $p < 0.01$ .

There is positive relationship between information and individual investors decision making as p value is 0. i.e  $p < 0.01$ .

There is positive relationship between regulatory policies and individual investors decision making as p value is 0. i.e  $p < 0.01$ .

There is positive relationship between firms image and individual investors decision making as p value is 0. i.e  $p < 0.01$ .

Table 4.14

*Correlation Analysis of Behavior Biases and Individual Investor Decision Making*

Table: Results Correlation Analysis of Investment Decision Making with PF, SI, INF, PR and FI			
Variables	Type of Investors	R	p value
Psychological Factor	Beginners	-0.055	0.653
	Experienced	0.139	0.305
	Overall	0.053	0.555
Social Interaction	Beginners	.413**	0
	Experienced	.564**	0
	Overall	.488**	0
Information	Beginners	.263*	0.029
	Experienced	.455**	0
	Overall	.335**	0
Regulatory policies	Beginners	.451**	0
	Experienced	.294*	0.028
	Overall	.381**	0
Firms Image	Beginners	.450**	0
	Experienced	.358**	0.007
	Overall	.416**	0

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

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

### 4.3.2 Regression analysis

Regression analysis is used to analyze the relationship between several independent variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

### PF, SI, INF, RP and FI on investment decision of all investors

This section deals with regression analysis of all the investors' psychological, social interaction, information, regulatory policies and firms image on investors decision making.

Table 4.15

*Regression Analysis of Behavior Biases on Individual Investor Decision Making*

<b>Regression Analysis (Overall)</b>					
	B	t Value	P value	Tolerance	VIF
(Constant)	1.356	5.048	0		
Psychological Factor	-0.115	-1.512	0.133	0.841	1.189
Social Interaction	0.284	4.869	0	0.888	1.126
Information	0.094	0.822	0.413	0.567	1.765
Regulatory policies	0.182	2.079	0.04	0.636	1.572
Firms Image	0.161	1.969	0.051	0.591	1.693
F-statistics	13.21			R Square	0.357
P value	0.000			Adjusted R Square	0.33

Table 4.15 shows that social interaction and regulatory policies has p value of 0 and 0.04 respectively which is less than 0.05. Therefore, it has significant effect on investor's decision making behavior. Remaining factors i.e. psychological factors information and firm's image has p value 0.133, 0.413 and 0.051 which is more than 0.05 which means it has no significant effect. 2 out of 5 variables i.e. social interaction and regulatory policies significantly affect the decision making behavior of investors.

Illustrated in Table 4.15, R square is 0.357 which means psychological factors, social interaction, information, regulatory policies and firms image explains 35.7% of variability on investor's decision making.

Table 4.15 shows that only social interaction and regulatory policies has significant effect on investor's decision making behavior.

Table Presented in table 4.15 F value is 13.210 and p value is .000 i.e p value is less than alpha ( $0.000 < 0.01$ ), which indicates that independent variables affect decision making behavior.

The Variance Inflation Factor (VIF) measures the impact of collinearity among the variables in a regression model. The Variance Inflation Factor (VIF) is  $1/\text{Tolerance}$ , it is always greater than or equal to 1. Collinearity is a linear association between two explanatory variables. Two variables are perfectly collinear if there is an exact linear relationship between them.

Exhibited in table 4.15 for every additional degree increase in psychological factors there will be decrease in decision making of investors by -0.115

For every additional degree increase in social interaction there will be increase in decision making of investors by 0.284

For every additional degree increase in information there will be increase in decision making of investors by 0.094

For every additional degree increase in regulatory policies there will be increase in decision making of investors by 0.182

#### **PF, SI, INF, RP and FI on investment decision of beginners**

This section deals with regression analysis of beginner's psychological, social interaction, information, regulatory policies and firm's image on investor's decision making.

Table 4.16

*Regression Analysis of Beginners on Individual Investor Decision Making*

<b>Regression Analysis (Beginners)</b>					
	B	t Value	P value	Tolerance	VIF
(Constant)	1.699	4.528	0		
Psychological Factors	-0.213	-2.099	0.04	0.71	1.409
Social Interaction	0.211	2.704	0.009	0.89	1.123
Information	0.081	0.475	0.637	0.498	2.01
Regulatory Polices	0.225	2.145	0.036	0.627	1.594
Firms Image	0.227	2.454	0.017	0.601	1.664
F-statistics	8.518			R Square	0.403
P value	.000b			Adjusted R Square	0.356

Table 4.16 shows that psychological factor, social interaction, regulatory policies and firms image has p value of 0.04, 0.009, 0.036 and 0.017 respectively which is less than 0.05. Therefore, it has significant effect on investor's decision making behavior. The factor information has p value 0.637 which is more than 0.05 which means information has no significant effect. 4 out of 5 variable significantly affect the decision making behavior.

**PF, SI, INF, RP and FI on investment decision of experienced investors**

This section deals with regression analysis of experienced investor's psychological, social interaction, information, regulatory policies and firm's image on investor's decision making.

Table 4.17

*Regression Analysis of Experienced on Individual Investor Decision Making*

<b>Regression Analysis (Experienced)</b>					
	B	t Value	P value	Tolerance	VIF
(Constant)	1.187	2.992	0.004		
Psychological Factor	-0.062	-0.49	0.626	0.822	1.217
Social Interaction	0.334	3.679	0.001	0.785	1.273
Information	0.291	1.58	0.12	0.452	2.214
Regulatory Policies	0.068	0.418	0.678	0.529	1.889
Firms Image	-0.032	-0.186	0.854	0.451	2.219
F-statistics	6.119			R Square	0.38
P value	.000c			Adjusted Square	R 0.318

Table 4.17 shows that social interaction has p value of 0.001 which is less than 0.05. Therefore, it has significant effect on investor decision making behavior. Other factors Information, Regulatory Policies, Firms Image and Psychological Factors has p value 0.12, 0.678, 0.854 and 0.626 which are more than 0.05. Therefore, these four factors has no significant effect on investment behavior.

Out of five variables only social interaction has significant effect and remaining four variables has no significant effect on investment behavior of individuals.

#### **4.4 Hypothesis testing**

Based on results of regression analysis, all hypotheses set in chapter one are tested and result is summarized in Table 4.26.

Table 4.18

*Summary of hypothesis*

Hypothesis		P-Value	$\beta$	Result
H1: There is significant effect of the psychological factors on investment decision making behaviour of individual in stock market.	Beginner	0.04	0.213	Accepted
	Experienced	0.626	0.062	Rejected
	Overall	0.133	0.115	Rejected
H2: There is significant effect of the social interaction on investment decision making behaviour of individual in stock market.	Beginner	0.009	0.211	Accepted
	Experienced	0.001	0.334	Accepted
	Overall	0.000	0.284	Accepted
H3: There is significant effect of the information on investment decision making behaviour of individual in stock market.	Beginner	0.637	0.081	Rejected
	Experienced	0.12	0.291	Rejected
	Overall	0.413	0.094	Rejected
H4: There is significant effect of the regulatory policies and investor's decision making behaviour of individual in stock market.	Beginner	0.036	0.225	Accepted
	Experienced	0.678	0.068	Rejected
	Overall	0.040	0.182	Accepted
H5: There is significant effect of the firm's image and investor's decision making behaviour of individual in stock market.	Beginner	0.017	0.227	Accepted
	Experienced	0.854	0.032	Rejected
	Overall	0.051	0.161	Rejected

**H1: There is significant effect of the psychological factors on investment decision making behavior of individual in stock market.**

Relationship between psychological factors and investment decision making is presented in Table 4.25. Beta value = -0.115 and p value = 0.133 which means p value is more than alpha ( $P > 0.05$ ). This shows there is no significant effect between the psychological factors and investment decision making behavior of individual in stock market.



**H2: There is significant effect of the social interaction on investment decision making behavior of individual in stock market.**

Relationship between social interaction and investment decision making is presented in Table 4.25. Beta 0.284 and p value 0.000 which means p value is less than alpha ( $p < 0.01$ ). This shows there is significant effect between social interaction and investment decision making behavior of individual in stock market.

**H3: There is significant effect of the information on investment decision making behavior of individual in stock market.**

Relationship between information and investment decision making is illustrated in Table 4.25. Beta = 0.094 and p value 0.413 which means p value is more than alpha ( $p > 0.05$ ). This shows there is no significant effect between information and investment decision making behavior of individual in stock market.

**H4: There is significant effect of the regulatory policies and investor's decision making behavior of individual in stock market.**

Relationship between regulatory policies and investment decision making is illustrated in Table 4.25. Beta = 0.182 and p value 0.040 which means p value is less than alpha ( $p < 0.05$ ). This shows there is significant effect between regulatory policies and investment decision making behavior of individual in stock market.

**H5: There is significant effect of the firm's image and investor's decision making behavior of individual in stock market.**

Relationship between firm's image and investment decision making is illustrated in Table 4.25. Beta = 0.161 and p value 0.051 which means p value is greater than alpha ( $p > 0.05$ ). This shows there is no significant effect between firm's image and investment decision making behavior of individual in stock market.

#### 4.4 Major findings

The research used the data collected from the survey conducted within Kathmandu valley are used to examine the data covering 125 samples across the different broker house in Kathmandu. The present scenario of individual investor decision making is greatly affected by social interaction and regulatory policies. Within the individual dimensions of social interaction, “I take advice from stock broker while investing in securities” has moderate agreeableness. Also, dimension of regulatory policies, “I prefer to buy stocks when the company has independent management team” has good agreeableness.

The result of the study shows that;

**Psychological factors**, there is no significant effect between the psychological factors and investment decision making behavior of individual in stock market.

**Social interaction**, there is significant effect between social interaction and investment decision making behavior of individual in stock market.

**Information**, there is no significant effect between information and investment decision making behavior of individual in stock market.

**Regulatory policies**, there is significant effect between regulatory policies and investment decision making behavior of individual in stock market.

**Firms image**, there is no significant effect between firms image and investment decision making behavior of individual in stock market.

#### **4.5 Discussion**

The research contributed in understating the determinants of the investment behavior in Nepalese stock market. It confirms previous research study in the topic with an empirical support from Nepal. The main purpose of the study was to understand and identify the factors that affect the individual investor's decision making in NEPSE. This study investigated the different factors that can influence the investment activities.

As the present study investigated the different factors that determine the behavior of the individual of NEPSE investors, the section dealt with the discussion on the issues relating to the relationship between individual investments behaviors with other variables taken under study. However, the study result is highly dominated by the male respondents belonging the age above 30 years. The study draws an overall picture of impacts of behavioral factors on the investment decisions and performance of individuals at Nepalese financial market. The study is based on the approaches of behavioral finance, which is different from prior studies which mainly based on traditional finance. The study tries to use a full set of behavioral factors to assess their impacts on Nepalese individual investors while prior studies only consider the impacts of some limited dimensions of behavioral factors.

The study has showed the mixed response while investing in the stock market. According to Thapa (2013), it is found that investors have no preference in the types of market for investment but they are motivated for short term profit.

Ali & Tariq (2013), Investor behavior is central concept in behavioral finance which analyzes the influence of various factors on individual equity investor decision making. 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. Akbar, et.al (2016) conducted a study to identify the factors that affect the investment decision making of investors in 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 and personal financial needs.

Khanam (2017) examined the association between demographic characteristics of general investors such as age, education level, occupation, experience and income level and the stock market investment amount. The paper explores for the first time the link between demographic characteristics and investment amount of general investors. The study concluded that the different demographic factors interaction has a positive effect on yearly average investment amount of general investors.

Out of five variables of behavior bias three variables i.e. social interaction, information and regulatory policies are consistent with the previous empirical studies while firms image contrast with the previous empirical studies. The independent variable like regulatory policies and social interaction has positive significant relationship while accounting information has negative relationship and all these three variables is consistent with the previous empirical studies. While empirical studies shows firms' image has positive significant relationship but it contrast from my research and my research for firm's image has no significant relationship.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

The study is carried out to explore the different factors which affect the individual investment behavior. The previous chapter data analysis been carried out accordingly to assist in finding of the study. This part contains the brief overview of the introduction, review of related methodology, findings of the study which assists in drawing the inferences from the findings that will lead to certain conclusions and generalizations.

#### **5.1 Summary**

Financial market allows both individual and institutions to invest on different securities. Financial market in recent years has become an integral part of economic development. It can play a vital role in encouraging and channeling the saving to provide the entrepreneurs for investment in profitable projects in the economy. Examples from the developed countries have proved that the stock market is the cause and economic development is the effect. Stock market serves as a direct link between the suppliers and the users of capital fund. Thus, stock market has both theoretical and practical perspectives. This study mainly aims to examine the factors that affect the investment behavior of individuals in stock market in Nepal. The specific objectives of the study are to examine the major factors which affect the individual investment behavior.

The main purpose of the study is to examine the factors influencing individual investors' investment decision making behavior. The study provides an overall view of the factors influencing the individual investors' decision making behavior while making investment decision in securities. The study tries to explore the effect of psychological, social interaction, Information, Regulatory Policies and finally Firms Image on building individual investors decision making behavior in stock market. The data for the study was collected through the closed ended structured questionnaire covering 125 samples across the different broker house in Kathmandu. The data was analyzed through the Statistical Package for Social Science (SPSS) software package and Microsoft Excel.

From research found that Out of five variables of behavior bias three variables i.e. social interaction, information and regulatory policies are consistent with the previous empirical studies while firms image contrast with the previous empirical studies. The independent variable like regulatory policies and social interaction has positive significant relationship while accounting information has negative relationship and all these three variables is consistent with the previous empirical studies. While empirical studies shows firms' image has positive significant relationship but it contrast from my research and my research for firm's image has no significant relationship.

## **5.2 Conclusion**

The study is finished by giving all the answers for the research questions raised in previous Chapter. This means the research objectives are done and the hypotheses are tested. Based on the findings of this study, recommendations have been given. This study was aimed at identifying the individual judgment, role of social interaction and information, relationship between psychological, regulatory policies and firm's image on the investor's investment behavior. There were 21 items belongs to five main categories taken as independent: firms image, information, regulatory policies, social interaction and psychological factors. The results according to calculated mean shown that all variables are somewhat affecting the decision making behavior of individual investors of Kathmandu Valley. Out of 5 variable 3 variable is rejected and 2 is accepted which means only 2 independent variable has significant effect on individual investors decision making.

The decision taking is different with beginner and experienced people investing in stock market. Beginners has significant effect on 4 variables like psychological factors, social interaction, regulatory policies and firms image while experienced investors has only significant effect on social interaction. Beginner investors reacts very fast to the news in the market, they are update to rules and regulation made by regulatory bodies like NEPSE and SEBON to react fast in the market and psychological factor, social interaction, regulatory policies and firms image has significant effect on beginners decision making where as social interaction has only significant effect on experienced for decision making. Overall, only two variables social interaction and regulatory policies has significant effect.

### 5.3 Implication

Capital markets are an essential part of the financial sectors of modern economies and even more of growing economies. Well-developed capital markets promote economic growth through increased savings and mobilization, access to external savings, the spread of financial risk and the facilitating role in converting savings into investments. The stock market decisions play an important role in determining market trends, which then influence the economy. In order to understand and provide an adequate explanation for investor decisions, it is important to investigate which behavior factors influence investor decisions in the Stock Exchange and how these factors influence their investment performance. In this sense, we have examined the behavioral factors.

There are number of implications that can be drawn from the study. Beginner investors have to know that they are influenced by psychology factor. There is influence of psychological factors in the market so proper analysis of fundamental and technical tool is important alongside the understanding of psychological factor. Investors have to be aware about the behavioral bias inherent in them to the possible extent. Also the result has shown that investors who are experienced is not affected by psychological factors because of the experience in stock market.

Overall, investors are influenced to social interaction and regulatory policies. So, SEBON should make good rules and regulation so that they increase the confidence of investors in stock market, which benefits the stock market as investment increases with increase in confidence level.

This study has left door open for further study. Pompian (2006) has identified 20 behavioral biases. These biases can be tested under the similar study. Also, other studies have included the aspect of personality which affects the behavioral bias and decision making. This can also be studied under the similar study with new model. Likewise security prices affect the financial decisions which can be a major area of study in days to come. In addition, the primary data with 1000 sample across the country like pokhara, chitwan, nepalgunj can be used for further study to study in broader way.

#### **5.4 React for Further Research**

- i. This study is based only three Broker houses. Thus, the further study may include more and different broker houses.
- ii. This study analyzes some variables; further study can add some other variables too (i.e. Stock price).
- iii. This can also be studied under the similar study with new model.
- iv. The primary data with higher sample size (i.e. 500, 800, 1000) and different locations (Pokhara, Nepalgunj, Butwal) can be done in further study.
- v. Further studies can be done by using some advance statistical tools.



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## Appendix

### QUESTIONNAIRE

**Dear respondents,**

I am an MBS final year student. The MBS program of central department of management T.U. requires the student to write a thesis for which I am conducting a survey of **INDIVIDUAL INVESTMENT BEHAVIOUR TOWARDS FINANCIAL MARKET.**

**I would highly appreciate your kind cooperation regarding the matter.**

**Thank You  
Narayan Dhakal**

#### **Personal Information**

**Name:** .....

#### **Amount of Investment:**

Up to 1 lakh

1lakh to 2 lakhs

2 lakhs to 5 lakhs

More than 5 Lakhs

#### **Education Qualification:**

Below SLC

SLC

Plus Two

Bachelor Degree

Master Degree

Above Master Degree ( )

**Gender:**

Male ( )

Female ( )

**Age:**

Below 20 ( )

20 to 25 ( )

25 to 30 ( )

30 to 40 ( )

40 and above ( )

**Occupation:**

Private Sector ( )

Government Service ( )

Business ( )

Others ( )

**Marital Status:**

Married ( )

Single ( )

**Investment Information**

1. Investment experience by number of years
- i. Beginners 1-3 year [ ]
  - ii. Experience more than 3 years [ ]

2. Purpose of investment

i. Security [ ]

iii. Returns [ ]

**Awareness of investors about Investment Decision**

**Strongly Agree = 1, Agree = 2,**

**Slightly Agree = 3, Slightly Disagree=4,**

**Disagree = 5 Strongly Disagree = 6.**

**Psychological Factors**

<b>Particulars</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
I look long term gain rather than short term.						
I have strong gut feeling that will be profitable while buying particular script.						
I generally buy stocks with less volatility and which have more safety.						
I tend to invest in stocks from my previous mindset.						



### Social Interaction

Particulars	1	2	3	4	5	6
I take advice from financial advisor while investing in securities.						
I take advice from Stock Broker while investing in securities.						
I take advice from my family and friends.						
I prefer to buy stocks when particular stock has high market noise.						

### Information

Particulars	1	2	3	4	5	6
I prefer to buy stocks by looking the firm's financial statement.						
I prefer to buy stocks by looking the particular script past prices.						
I prefer to buy stocks by looking the status of the Company/Industry in terms of their rating.						
I prefer to buy stocks by looking the published information in Newspaper.						
I prefer to buy stocks by looking the firm future prospects.						

### Regulatory Policies

Particulars	1	2	3	4	5	6
I prefer to buy stocks of that company when the Company/Industry is highly regulated.						
I prefer to buy stocks where the BOD members have high work ethics.						
I prefer to buy stocks when the company has independent management team.						
Government should regulate all listed companies.						

### Firms Image

Particulars	1	2	3	4	5	6
I prefer to buy stocks when the company having large number of branded Products/Services.						
I prefer to buy stocks when the company has foreign investment i.e. joint venture.						
I prefer to buy stocks which fall in Class A category of NEPSE.						
I prefer to buy stocks when the company has more public Image.						

### Perceptual Information on Individual Investor Decision Making

Strongly Agree = 1, Agree = 2,

Slightly Agree = 3, Slightly Disagree=4,

Disagree = 5, Strongly Disagree = 6.

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