

FACTORS AFFECTING INVESTMENT OF INDIVIDUAL INVESTOR'S IN NEPALESE STOCK MARKET

A Dissertation submitted to the office of the dean, faculty of management in partial
fulfillment of the requirements for the Master's Degree

by

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Kathmandu, Nepal

June, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Factors Affecting Investment of Individual Investor’s in Nepalese Stock Market”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirement for any academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all sources and literature used are cited in the reference section of the dissertation.

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ACKNOWLEDGEMENTS

This dissertation entitled “Factors Affecting Investment of Individual Investor’s in Nepalese Stock Market” has been prepared for the partial fulfillment of the requirement for the degree of Master of Business studies.

I extend my deep sense of indebtedness to my respected supervisor Asso. Prof. Dr. Kapil Khanal for his precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis. I would like to express my gratitude to my honorable campus chief Asso. Prof. Dr. Krishna Prasad Acharya of Shanker Dev Campus, respected Research Department Head Asso. Prof. Dr. Sajeeb Kumar Shrestha and Shanker Dev Campus Library who provided the reference and reading materials during the period of research. I also like to thank to my respectable teacher for guiding and inspiring me to complete this dissertation.

I am deeply indebted to my respected teachers and friends for helping me during the period of research.

Thank You.

Ambika Khatiwada
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ABBREVIATIONS

BOD	:	Board of Director
BVPS	:	Book Value per Share
CF	:	Company Related Factors
CV	:	Coefficient of Variation
EPS	:	Earnings per Share
GON	:	Government of Nepal
ID	:	Investment Decision
IPO	:	Initial Public Offering
MF	:	Market Related Factors
NEPSE	:	Nepal Stock Exchange
NIM	:	Net Interest Margin
NRB	:	Nepal Rastra Bank
PE ratio	:	Price Earnings Ratio
RRF	:	Risk and Return Related Factors
SD	:	Standard Deviation
SEBON	:	Security Board of Nepal
TU	:	Tribhuvan University

ABSTRACT

The objective of the study is to examine and analyze the preferences of the Nepalese investors in selecting securities. This study tried to examine market preferred by investors to trade in security market, analyze the securities preferred by investors to buy and sell in security market and analyze the factor affecting investment decision of investors. In this study the major portions of analysis and interpretation have been done on set of questionnaires that are filled by the target investors' and only seven financial instruments have been taken into consideration for the study (i.e. Commercial Banks, Development Banks, Finance, Insurance, Manufacturing, Hydropower and Other)). To achieve the objective of this research, descriptive and casual research design has been used. The regression analysis on dependent variable (investment decision) and one or more independent variables i.e. Company Factors (CF), Risk and Returns Related Factors (RRF) and Market Factors (MF) is analyzed in SPSS software. It is observed that investors are more interested to invest in primary market and secondary market both. It is found that more than 50 percent investor's in Nepalese stock market are serious about the company's performance analysis before making investment decision. This study revealed that there is positive relation of market factors, risk and return related factors and company factors on the investment decision of individual investors. The regression analysis found that company factors have significant positive effect on investment decision. Similarly, market factors also have significant positive effect on investment decision. Likewise, risk and return related factors have significant positive effect on investment decision of individual investors in Nepalese stock market. The main conclusion of the study is that the Nepalese investor makes investment decision observing the company factor and market factor of Nepalese companies.

Keywords: *Company Factors, Risk and Returns Related Factors, Market Factors and Investment Decision*

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The market, where buyer demand and seller supply balance, sets stock prices. Regretfully, though, there isn't a clear-cut formula that can accurately predict how a stock price will move. A stock can go up or down due to three main forces: market sentiment, technical considerations, and fundamental causes. Financial investments are made in financial assets such as bonds, common stocks, loans, entitlements (rights), options, futures, warrants, etc. Conversely, tangible assets include things like gold, real estate, and precious metals. Financial and real investments are other names for investments. Real investments are defined as investments in actual or real assets, whereas financial investments are defined as investments in financial assets. Real investments are capable of producing returns. Nevertheless, financial investments do not immediately have the ability to produce (Rana & Thapa, 2014).

Financial investments are becoming more and more popular these days due to their marketability, divisibility, and information availability. However, because it is real or financial, it is seen as an investment. An investor is in control of the decision-making process and is free to choose any option at their own discretion. The investor's own preferences always take precedence over the investment vehicles when making decisions. Investor preferences influence where and how much they choose to invest (Baral & Pokharel, 2020).

A financial asset, or simply a security, is just a document that outlines an investor's claims to particular opportunities or properties as well as the terms and circumstances under which those claims may be exercised. Any rights and conditions associated with these rights might be transferred to another investor. It is therefore only a legal representation of the entitlement to future rewards under certain circumstances (Alexander et al., 2000). Although each of them may have made a little individual investment, together these investors have made significant market investments (Gnawali, 2021).

The two most prevalent types of financial assets or instruments are bonds and ordinary stock. The financial market, often known as the securities market, may be divided into two groups: the primary and secondary markets, and the money and capital markets. Without a doubt, the capital market contributes to a nation's economic growth by facilitating the long-term capital investment in profitable industries. The productive sectors greatly depend on the efficient mobilization of capital resources. The basis of the country's economic development may benefit more from the efficient mobilization of capital resources to the productive sectors. The primary function of the capital market is to give investors the ability to purchase and sell financial assets at prices that are competitive. It serves as a conduit for the mobilization of limited resources and savings into productive industries, which is ultimately necessary for the nation's rapid economic growth. By releasing the long-term capital required for the productive sector, the capital market promotes economic development (Bhandari, 2017).

As a result, the capital market has enormous importance for the economic growth of emerging nations like Nepal. One important area of the financial industry is the capital market. It is crucial in bridging the gap between surplus and deficit funds. To put it another way, a capital market is a place where stocks and other assets are constantly bought and traded. The capital market is crucial in facilitating the steady flow of saved and underutilized funds needed to increase the nations' productive potential. It greatly facilitates investing for investors. Thus, investors can find the finest investment opportunity on the stock market. The securities market is where structured brokerage systems are used to exchange or transfer shares of listed firms from one person to another at a reasonable price. Primary markets relate to the supply and demand for new issues, whereas the stock market mostly refers to secondary markets for securities. The brokers play a key role in facilitating transactions in the secondary market in exchange for a commission. As a result, they support the growth and smooth operation of the stock market. The primary purpose of the stock market is to give buyers access to a ready and ongoing market while also granting them future market skills and liquidity. Hence, it serves as a conduit for the dispersed savings and limited resources to be moved into regions of production, which eventually promotes industrialization and economic growth (Ghimire et al., 2014).

The financial market known as the "money market" is where money is borrowed or lent for brief periods of time, often under a year. The capital market, on the other hand, handles longer-term products. The main market in the financial sector is where firms generate capital via the issuance of new securities. On the other hand, the secondary market is where investors exchange securities that have been issued by public agencies and corporations (Clark & Francis, 2002). Higher levels of participation, optimism, confidence, and risk-taking appear to be associated with more frequent stock market trading. Thus, an investor's personality and psychology have a big impact on their investing behavior (Shrestha, 2020).

A market is a place where goods and services are purchased and sold, either directly or via an intermediary. Comparably, the financial market is the place where money is exchanged for various financial assets or instruments, such as stocks and bonds, and where it can be borrowed or lent. The term "primary market" refers to the market where money is moved from savers to investors. As a result, the main market is where securities issued for the first time are transacted. The secondary market is the place where pre-developed and existing securities are purchased and traded. Liquidity for securities purchases is provided by the secondary market. The secondary market is thought of as the hub for instantaneously converting stocks, bonds, and other assets into cash (Tulsan, 2015).

The goal of the investors' financial investments is to provide a healthy projected return. An efficient market is one in which investors act sensibly. The market is nothing more than investor transactions. Therefore, investors must be astute enough to identify the possibility of an excess return. Understanding investor preferences is the most crucial prerequisite for the market. Thus, in order to maintain the nation's economic strength, instructions must be regularly provided to businesses and investors. It is also important to make sure that investors have a reasonable expectation of return in order to make their investments worthwhile and satisfying (Lorie, 2004). By increasing their degree of comprehension of financial issues, people with financial literacy are better equipped to handle financial data and make wise investment choices. The process by which an investor chooses a certain investment opportunity based on their future financial

objectives is a sophisticated process that is included in financial literacy, in addition to the method for understanding a fundamental financial instrument. Accordingly, there is a clear correlation between financial literacy and people's financial well-being (Singh & Sharma, 2016).

The security industry is essential to the economy of Nepal. It has an impact on the country's whole economic landscape. One of the main engines of economic growth is the securities market. Therefore, the nation's greatest assets are its current and prospective investors. As a result, the goal of this study is to investigate investor preferences for securities listed on the Nepali securities market. Accordingly, the primary goal of this study is to provide information on the current state of Nepalese investors' preferences while selecting securities (Clark & Francis, 2002). Understanding how money functions in the world, how to handle earning it, how to invest it, and how to use it to benefit others makes financial literacy important. It offers a collection of abilities and information that enable one to manage all of their financial resources wisely (Njehia, 2017).

The behavioral side of investing in financial instruments has been the main focus of this research. It is an investigation of the activities of independent, private investors in the investment process. Understanding investor preferences is the most crucial need for the market. Thus, in order to maintain the nation's economic strength, instructions must be regularly provided to businesses and investors. It is also crucial to make sure that investors have a reasonable expectation of return in order to make their investments worthwhile and satisfying. The primary goal of this study is to gather data on the current state of preferences among Nepalese investors while selecting securities.

The capital market in Nepal encountered many obstacles that could have affected the choices made by Nepalese investors. In terms of the number of registered firms and industries covered, the Nepalese stock market is tiny and restricted. Those looking for a wider variety of investing alternatives may become discouraged by this lack of diversification. One persistent worry in the Nepalese security market has been liquidity. Low trading volumes for some listed equities might make it difficult for investors to purchase or sell shares at the prices they want. The capital market in Nepal has gone

through periods of instability, and abrupt changes in stock prices might make investors uneasy. It's possible that many investors in Nepal know very little about investment goods and the capital market. Insufficient knowledge of finance may discourage prospective investors from taking part in the market. Investor confidence and decision-making processes can be greatly impacted by political unpredictability and economic uncertainty. To have a thorough grasp of the concerns and obstacles that Nepalese investors in the equity market are currently facing, it is imperative that they study more recent sources and expert viewpoints (Security Board of Nepal, 2023).

The analysis of securities, which are common in the Nepalese financial market, is covered in this study. Analysis is done to determine what influences investors' preferences. In essence, the corporations issue common stocks, which are constantly traded on NEPSE. Why don't Nepalese businesses offer preferred stocks and debentures on the country's main market? Nonetheless, the analysis of Nepalese investors' choices is the main goal of this study. Put another way, the main focus of this subject is how and why investors choose the greatest financial instrument or assets. The goal of this study is to identify the many investor-influencing elements. Hence, investors' awareness and reason have an impact on the entire securities market. As a result, the study's main focus is on investors' knowledge and rationality, as well as the influence of the current environment on their decision-making.

1.2 Problem Statement

Different company businesses trade equities on the secondary market without their involvement. Companies that issue securities do not get liquidity from the secondary market. The stock market offers investors favorable investment options with reasonable returns and immediate liquidity. It also facilitates the mobilization of financial resources for development project investments, contributing to the nation's economic progress (Baral & Pokharel, 2020).

The foundation of the nation's economic growth is its investor base. In order to attract investors to participate in securities markets, a friendly investing environment should be established. Such an atmosphere can be created by government policies pertaining to the growth of the security market and changes in the financial sector (Gnawali, 2021).

Decision-making based on market sentiment is the dominant model of decision making by individual investors in capital market (Khajavi et al., 2023). Due to the complexity of investors' decision-making processes and behaviors, it is difficult to provide a single model that can accurately predict how they will behave in the market. Additionally, investors' behavior on stock exchanges is frequently irrational, making it impossible to pinpoint specific behavioral cues (Khajavi et al., 2023).

Among the market factors that are identified as influencing investors' decision-making are price movements, market information, historical stock patterns, customer choice, overreaction to price fluctuations, and the fundamentals of the underlying shares (Waweru et al., 2008). Empirical research has demonstrated that variations in the underlying stock's fundamentals, market intelligence, and stock price often lead to either an overreaction or an underreaction to price fluctuations, which may significantly influence investors' decision-making processes (Chhetri, 2022).

The Nepalese capital market is currently expanding. To grow the security market and entice investors to make investments in this area, the authorities is still unable to provide an appropriate and attractive investment climate (Shrestha, 2020). Although each individual investor is different and may choose to invest according to a range of factors, there always seems to be a group of individuals that have comparable investment styles. The stock market in Nepal is at an all-time high. The number of investors participating in the stock market has significantly expanded (Manandhar, 2022).

In the Nepali environment, investor preferences and financial instruments are the most pressing challenges. Finding out the preferences of the investors is essential. Common stock securities are issued at a relatively high rate. Investors should have additional options if their preference is to invest in financial instruments other than common stock. Investor awareness and preferences should be given top attention in the Nepalese financial sector (Poudel & Shrestha, 2019). The most significant factors influencing investors were determined to be the anticipated dividends, projected company earnings, dividend payments, and the health of the financial statements (Chhetri, 2022).

This research covers what factors affect the investors to invest in securities and which instruments the investors preferably use.

- What are the factors influencing investors to make investment decision?
- Is there any relationship between investment decision and company factors, risk and returns related factors and market factors?
- What is the effect of company factors, risk and returns related factors and market factors on investment decision of investors?

1.3 Objectives of the Study

The main objective of this research is to examine and analyze the preferences of the Nepalese investors in selecting securities. However, the specific objectives are as follows.

- To explore factors influencing investors to make investment decision.
- To measure relationship between investment decision and company factors, risk and returns related factors and market factors.
- To analyze the effect of company factors, risk and returns related factors and market factors affect investment decision of investors.

1.4 Rationale of the Study

All the players participating in a stock market could find greater value in this research. Additionally, it is highly beneficial to recent graduates and recent students who are interested in learning about the financial instruments and preferences of investors. The stock market and prospective investors can use the research's instructions to help them make investing decisions. Given the novelty of this work, it can serve as a source of literature for future investigators in this field.

Investigating the preferences of the investors is essential. In this context, prior researchers conducted several studies on common stocks but were unable to determine investor preferences or compare the study of other financial instruments such as government securities, preferred stocks, and debentures. Therefore, this study addresses topics such as what motivates investors to purchase stocks and what tools they like to employ.

It is common knowledge that the security market is essential to a nation's ability to prosper economically. The nation's whole economic climate is impacted by securities investments. The securities market's most valuable asset is its investor base. The fact that this study is being done to gather data on the current state of investor preferences in the securities market makes it more relevant.

1.5 Limitations of the Study

The limitations of the study are as follows:

- This research is mainly based on primary data.
- The major portions of analysis and interpretation are done on set of questionnaires that are filled by the target investors'.
- The reliability of the study is fully depends on questionnaires, which are duly filled up by the respondents.
- Only selected statistical tools are used in the study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Conceptual Review

Conceptual reviews provide the fundamental theoretical framework and foundation to the study. Therefore, various book, journal and previous thesis related to this topic has been reviewed.

2.1.1 Investment

An investment is a financial commitment with the hope of earning more money. Every investment has some risk since it demands a certain sacrifice in the here and now in exchange for an unknown gain in the future (Francis, 2015).

Investment, in the widest definition, is the exchange of present money for future cash. Usually, two distinct characteristics are involved: risk and time. The sacrifice is definite and occurs in the present. Ghimire et al. (2014) stated that the reward is usually unpredictable in amount and comes later, if at all.

Even while expectations for the results of alternative investments are speculative and subjective, the financial and environmental information that is available to investors inevitably serves as their basis. These restrict the scope of investments that may be made as well as the kinds of expectations that can be justifiably held. Valuation premises might be used to characterize the third and final class of factors. These mainly consist of an investor's subjective preferences on the amount and consistency of income to be obtained, as well as the safety and negotiability of individual assets or combinations of investments, as these are periodically evaluated (Clark & Francis, 2002).

2.1.2 Investment Risk

Future investment returns are potentially dangerous since there are uncertainties associated with any investment. Investment risk is influenced by the following sources of uncertainty (Clark & Francis, 2002):

(i) Interest Rate Risk

It is described as the possible range of returns that can be influenced by shifts in the market interest rate. Investments' current value will fluctuate in response to changes in market interest rates. Changes in the market rate of interest have an inverse effect on present value. Bond, stock, property, gold, puts, calls, futures contracts, and other investment values are all impacted by interest rate risk (Bhandari, 2017).

(ii) Purchasing Power Risk

An investor has variability of return as a result of inflation. Economists use a price index to calculate the rate of inflation. One often used indicator of the rate of inflation is the proportion of change in the consumer price index (Chaudhary et al., 2021).

(iii) Bull-Bear Market Risk

It results from the fluctuations in market returns caused by the alternating forces of bull and bear markets. A bull market occurs when an index of securities rises for a certain amount of time from a low point, often known as a trough, and does so reasonably regularly. When the market index peaks and begins to decline, the bull market comes to an end. A bear market is the time frame in which the market drops to the next low. Bear markets are followed by bull markets, which typically rise by an amount greater than the losses incurred in the bear market. On the other hand, there is a chance for investment risk due to the shifting bull and bear market pressures (Poudel & Shrestha, 2019).

(iv) Management Risk

Business managers' mistakes can hurt investors in their companies. Predicting management failures is a challenging task that might not be worthwhile, which adds unnecessary skepticism to the picture. When attempting to assess subjective management risks, investors have the chance to replace skepticism with well-informed insight thanks to agency theory (Rana & Thapa, 2014).

(v) Default Risk

Default risk is the fraction of overall investment risk that arises from modifications to the investment's financial soundness. Default risk is the fluctuation in returns that investors face due to shifts in a company's creditworthiness in which they have invested (Bhandari, 2017).

(vi) Political Risk

Whether or not the charges that give rise to political risk are sought by economic or political interests, political risk is created when a politically weak group is used to the advantage of a politically strong group. The effects of various measures taken to improve their relative position increase the variability of return from the affected asset. The resulting variability of return is referred to as political risk if it is carried out through the legislative, judicial, or administrative branches of the government. Both internal and foreign political danger might exist (Chhetri, 2022).

(vii) Industry Risk

Industry risk is the percentage of an investment's overall return variability brought on by circumstances affecting the businesses and goods that comprise an industry. Industry-specific labor union issues, environmental limitations, raw material availability, international tariffs and/or quotas on products produced by an industry, taxes related to products or the industry, and other factors combine to influence all the firms in an industry at the same time. These similarities cause the prices of the securities issued by rival companies to fluctuate in tandem (Gnawali, 2021). The primary causes of investing risk are the aforementioned uncertainties. In addition, there might be a lot of little causes of investing risk. The aforementioned primary factors contribute to overall risk, or variation, in an additive manner.

2.1.3 Investment Process

The method via which an investor decides to purchase, how big of an investment to make, and when to make it is outlined in the investing process. The investment process is based on a five-step method for making these decisions (Ghimire et al., 2014).

(i) Investment Policy

Determining the investor's goals and the quantity of investable capital is the first stage in formulating investment policy. An investor should not state that their goal is to "make a lot of money" because there is a positive link among risk and return for prudent investing techniques. What is suitable for a financier? It is reasonable to say that the goal in this case is to try to gain a lot of money while acknowledging the possibility of suffering significant losses. As a result, investing goals must be expressed in terms of both return and risk. The selection of prospective financial asset categories for inclusion in the final portfolio marks the conclusion of this phase in the investment process. The identification will be predicated on a number of factors, including the investors' tax position, investable wealth, and investment intentions (Rana & Thapa, 2014).

(ii) Security Analysis

Performing security analysis, the second phase in the investing process, entails looking at a number of separate securities (or group of securities) within the larger groups of financial assets that have previously been recognized. Finding the securities that now seem to be mispriced is one goal of these evaluations. Security analysis may be done in a variety of ways. Still, the majority of these methods fit into one of two categories. Technical analysis is the term for the first categorization, while fundamental analysis is the name for the second. Its practitioners are referred to as fundamental analysts. The first emphasis in reducing these two security analysis methodologies will be on ordinary shares (Pokharel, 2018).

(iii) Portfolio Construction

Choosing which particular assets to invest in and how much of the investor's capital to allocate to each one are key components of the portfolio development stage of the investment process. In this case, the investor must handle the challenges of diversity, time, and selection. Selectively entails predicting the price movements of ordinary stocks generally in relation to fixed-income instruments, including corporate bonds. It is often referred to as micro forecasting, which pertains to security research and hence concentrates on forecasting. Subject to certain limitations, diversification entails building the investor's portfolio in a way that minimizes risk (Ghimire et al., 2014).

(iv) Portfolio Revision

The portfolio revision stage, which is the fourth in the investing process, involves repeating the first three processes on a regular basis. That is to say, the investor's goals may change over time, and as a result, the portfolio that is now maintained may no longer be ideal. Alternatively, the investor could choose to sell some of the present securities in order to create a new portfolio. The fact that stock values fluctuate over time means that certain investments that were formerly unattractive may no longer be, and vice versa for others that were once appealing. This is another reason to review a portfolio. As a result, the investor could choose to remove the latter from their portfolio and add the former. This choice will be based on a number of factors, including the amount of transaction expenses associated with these adjustments and the degree to which the updated portfolio's investment outlook is thought to have improved (Manandhar, 2022).

(v) Portfolio Performance Evaluation

Portfolio performance review, the fifth phase in the investing process, is assessing the portfolio's performance on a regular basis, taking into account both the investor's risk and the return that was generated. Therefore, proper return and risk measurements are required, along with pertinent standards, sometimes known as "benchmarks" (Beers, 2021).

2.1.4 Securities Market in Nepal

The Government of Nepal created the Securities Board of Nepal (SEBON) on June 7, 1993, as the highest authority overseeing the securities markets. As per the Securities Act of 2006, it has been supervising the market. The Government appoints a full-time chairperson to the SEBON Governing Board for a four-year term, making the total number of members seven. A representative from Nepal Rastra Bank, a representative from the Institute of Chartered Accountants of Nepal, a representative from the Federation of Nepalese Chambers of Commerce and Industries, a joint secretary of the Ministry of Law, Justice, and Parliamentary Affairs, and one member appointed by the government from among the experts pertaining to management of the securities market, development of the capital market, financial or economic sector are among the other members of the Board (Security Board of Nepal, 2020).

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The secondary market is called NEPSE, and it was created in 1994 A.D. On June 7, 1993, the Government of Nepal (GON) created SEBON as the top regulator of the country's securities markets. Under the Security Exchange Act of 2006, it has been in charge of market regulation. According to the statute, SEBON's role, responsibilities, and authority are as follows:

- To advise the government on issues pertaining to the growth of the capital market.
- To register corporate entities' securities, which are created with the power to publicly offer their organizational structure.
- To systematize and control the issuance, transfer, selling, and trading of registered securities.
- Permitting any corporate organization that wishes to do so to run a stock exchange, subject to this Act or the regulations and bylaws established under this Act.

The phrase "financial market" simply refers to the arrangement of buyers and sellers who collectively decide on the price at which information is to be provided, as well as the liquidity and marketability of securities based on their class. The system created to make selling and buying of securities easier is known as the security market. It serves as a crucial conduit for money transfers from savers (Surplus Budget Units) to users

(Deficit Budget Units). The price of security is set by the security market, which also generates market liquidity, the right economic mechanisms, and lowers transaction costs. Financial assets having a one-year expiration date or less are usually found in money markets, while financial assets with a one-year or longer life duration are found in capital markets (Alexander et al., 2000).

Securities markets are places where securities are exchanged. Securities markets, despite being concentrated in a small number of places, are more about mechanisms than actual sites where buyers and sellers of securities come together to enable the exchange of securities. Price discovery, which causes asset prices to reflect currently available information, is one purpose of the securities market (Alexander et al., 2000).

One of the mechanisms that facilitates the effective transfer of savings from surplus spending units to deficit spending ones, those that can use them to move productivity and/or have loss/risk aversion, is the development of the securities market and the financial institutions that make up its constituents (Brigham & Western, 1999).

i) Primary Market

The trading of recently issued securities takes place on the primary market. When they need to raise money, corporations, governments, and businesses issue securities like stocks and bonds. The investor has the option to buy the firms' bonds or shares. As a result, a primary market is one in which only recently issued financial assets are exchanged. Raising the required funds through initial public offerings (IPOs) to undertake fresh, large investments is the major goal of the primary market. Its main purpose is to raise money to finance new investments in inventory and construction equipment as well as to ensure "capital adequacy" (Subedi, 2020).

An IPO is a common way to offer securities on the main market, which is also known as the new issue market (NIM). Investment bankers act as skilled issuers in the main market when it comes to the purchase and sale of securities. The market for an issuer's initial public offering of securities is referred to as the "primary market". Through the primary market, the security market moves money from savers to investors. As a result, this market is where the securities that are being issued for the first time are transacted.

The cash that is received by the issuer might be used to pay off debt or invested in profitable assets. The primary market is the sole financial market where the issuer engages in direct transactions and where securities are first issued (Gitman, 1988).

ii) Secondary Market

Secondary markets are those in which existing securities—that is, securities that are already outstanding—are exchanged among investors. They are also those in which previously issued (second hand) securities are traded. The ownership of the securities is just transferred between the participants in the secondary market; the issuer does not get any further funding. Stated differently, investors merely transfer ownership (Alexander et al., 2000).

Giving investors access to liquidity for their assets is the primary goal of the secondary market or its function. In the main market, fresh securities are exchanged. The secondary market is where all ensuing transactions take place. Buying and selling securities in the secondary market carries a risk because of market speculation and liquidity. Compared to the main market, the secondary market sees a lot more financial transactions (Beers, 2021).

The portion of the stock market that deals with securities that have previously been issued in the main market is known as the secondary market. The freshly issued securities are sold into the secondary market by the investors who bought them in the primary market. A certain stock's value on the secondary market differs from its face value as well. Although supply and demand factors may cause stock prices to fluctuate, there is no perfect or infallible method for predicting the precise movement of stock prices. Technical, fundamental, and market mood elements are the three primary categories of factors that influence changes in supply and demand for stock prices (Rana & Thapa, 2014).

2.1.5 Types of Security Market

i) Primary Market

Securities that have just been issued are traded on the primary market. When a firm, government, or business needs to raise money, they issue securities like stocks and bonds. The company may issue bonds or shares for purchase by the investor. As a result,

the primary market is the kind of market where only recently issued financial instruments are exchanged. Raising the funds required to undertake fresh, large investments through initial public offerings (IPOs) is the fundamental goal of the primary market. Raising money is its main duty in order to finance new investments in construction supplies and equipment as well as to ensure "capital adequacy" (Lorie, 2004).

An IPO is a common way to offer securities on the main market, which is also known as the new issue market (NIM). Investment bankers act as skilled issuers in the main market when it comes to the purchase and sale of securities. The market for an issuer's initial public offering of securities is referred to as the "primary market". Through the primary market, the security market moves money from savers to investors. As a result, this market is where the securities that are being issued for the first time are transacted. The cash that is received by the issuer might be used to pay off debt or invested in profitable assets. The primary market is the financial marketplace where securities are first released and the only one where the issuer engages in direct transactions (Gitman, 1988).

ii) Secondary Market

A secondary market is a market where securities that have already been issued (also known as secondhand) are exchanged, or a secondary market is a market where securities that are already outstanding are traded among investors. In the secondary market, the participants just exchange ownership of the shares; the issuer does not obtain further funding. To put it another way, investors merely transfer ownership (Baral & Pokharel, 2020).

Liquidity provision for investors' securities is the primary goal of the secondary market or its function. As new securities are exchanged on the main market. The secondary market is used for all ensuing transactions. The secondary market is a dangerous place to purchase and sell securities because of market speculation and liquidity. More money is exchanged in the secondary market than in the primary one (Baral & Pokharel, 2020).

A capital market's secondary market is where securities that have previously been issued in the main market are traded. In the primary market, investors buy freshly issued securities, and they sell them in the secondary market. The value of a certain stock differs from its face value on the secondary market as well. The factors of supply and demand may cause fluctuations in stock prices, but there is no perfect or infallible method for predicting the precise movement of stock prices. There are three primary categories of factors that influence the supply and demand of stock prices, and these factors determine changes in stock prices: technical elements, underlying elements, and market sentiment (Rana & Thapa, 2014).

iii) Over the Counter Market

Trading financial products including stocks, bonds, commodities, and derivatives directly between two parties is known as the over-the-counter (OTC) market. It is in contrast to exchange trading, which takes place on venues designed specifically for trade (i.e., exchanges), such as stock exchanges or futures markets. Although exchange-listed equities can be traded over-the-counter on the third market, OTC stocks are typically neither listed nor traded on any stock exchanges. A bilateral agreement between two parties defining the future terms of a specific transaction or deal is called an over-the-counter contract. Typically, it comes straight from an investment bank to its clients (Rana & Thapa, 2014).

iv) Third Market

Trading of exchange-listed equities by broker-dealers who are not members of the exchange and institutional investors makes up a third market. Stated differently, exchange-listed securities that are transacted over-the-counter by broker-dealers and sizable institutional investors make up the third market. The over-the-counter (OTC) market is the third market where exchange-listed securities are traded. By allowing institutional investors to trade securities in blocks directly instead of via an exchange, these deals give purchasers anonymity and liquidity (Beers, 2021).

v) Forth Market

The primary, secondary, third, and dark pools might be compared to the fourth market, which is exclusively used by institutions. The main, secondary, and third markets are

exchanges for publicly issued shares open to all investors, including retail and institutional ones, even though they use comparable technology and trading methods to the fourth market. Direct institution-to-institution trading on the fourth market eliminates the need for broker-dealers and the commissions associated with bid-ask spreads. Typically, trades are completed in blocks. Since deals do not need to be reported, it is hard to gauge the amount of activity on the fourth market (Beers, 2021).

2.1.6 Financial Instruments/Securities

Securities are defined as follows: shares, stock, bonds, debentures, and treasury bills issued by corporate bodies; certificates to unit or group savings schemes issued by any corporate body in compliance with the laws in effect; and securities issued under the full guarantee of the Nepal government by a notice published in the Nepal Gazette, as well as receipts pertaining to deposits of securities and rights and interests pertaining to securities (Security Board of Nepal, 2023).

On the financial market, financial instruments are exchanged. This speeds up the pricing discovery process by enabling investors to purchase or sell shares instantly at a price that differs little from the stock market. The price of shares in the security market is set by a combination of buying and selling orders that result from investor preferences related to supply and demand. It is crucial in bridging the divide between society's surplus and deficit units. In Nepal, the most popular types of securities are government securities, debentures, preferred stock, and common stock. In Nepal, preferred stock and debentures are not frequently employed. Essentially, NEPSE is used to trade common stock. Important securities that are issued by the Nepali government through Nepal Rastra Bank (NRB) are the government securities. The major financial instruments are as follows:

(a) Common Stock

In the event of a liquidation, common shareholders will only have access to the company's assets after bondholders, preferred shareholders, and other debenture holders have received their full compensation. Common stock is the securities that represent ownership in a corporation. Holders of the stock exercise control by selecting a board of directors and voting on corporate policy. A company might issue stock in

the United States for more than its par value. The equities are referred to as watered if they were issued at a price greater than par. The business held purchasers of watered shares accountable for the discrepancy between the purchase price and par value. Par values for common stocks are no longer necessary in many countries nowadays. Usually, preferred stock is offered at a price that is near to its par value. Dividends on preferred shares are computed as a percentage of par values. According to their characteristics, common stocks are categorized into many groups on the market: tiny stocks, speculative stocks, defensive and cyclical stocks, income and growth stocks, blue chip stocks, and growth stocks (Brigham & Western, 1999).

(b) Debt

Of course, creditors are those who own long-term debt issued by a corporation. In general, they lack a voice in management and are unable to exert influence over the business. Should the debts decrease, these investors could have some say over how the business is run. Long-term debt holders receive a set return rather than a share of the company's residual earnings. A share of ordinary or preferred stock does not have a specified maturity, but their debt instrument does. Debt holders have priority over preferred and ordinary investors in a liquidation. There may be differences in the order of priority of claim among the different creditors of a debt instrument (Lorie, 2004).

(c) Preferred Stock

At the event of liquidation, preferred stock has the opportunity to acquire principal before ordinary stock and has a fixed dividend. Because preferred stock combines characteristics of bonds and common stock, it is referred to as a "hybrid" security. Dividends and assets are given preference to preferred stock. Preferred investors are entitled to accessible assets before ordinary stockholders in the case of a liquidation. Additionally, the stated dividends are paid to preferred stockholders before any dividends are paid to common stockholders (Gitman, 1988).

(d) Government Securities

The government raises sporadic funding from the public and issues a variety of securities to complete and carry out the development activities under the deficit budget. When weighed against foreign debt, these instruments are thought to be less hazardous.

The government issues bonds both domestically and internationally. Government bonds are the principal cause of domestic debt. The nation's NRB has been actively issuing several kinds of government securities. One of the most significant announcements made by the government to preserve Nepal's deficit budgeting system is this one (Rana & Thapa, 2014).

e) Hybrid securities

Both debt and equity instruments are components of hybrid securities. Convertible bonds, which are corporate bonds with the option to be converted into shares of the issuing company's stock, are one type of hybrid instrument. Preference shares, or stock shares in a corporation that provide the shareholder the right to receive a fixed payout prior to distributions on common stock, are another example. Even voting rights in the corporation may be granted to shareholders holding preference shares (Clark & Francis, 2002).

f) Derivatives

A derivative security's value is derived from the value of an underlying asset, such as an oil barrel. When it comes to derivative instruments, both parties to the contract are effectively wagering on the possibility of opposing changes in the value of the underlying asset. Common derivative securities include swaps, options, futures, and forwards. Derivative securities are regulated in part by self-regulatory bodies such as the Financial Industry Regulatory Authority (FINRA) (Rana & Thapa, 2014).

2.1.7 Types of Investors

Different kinds of investors exist in the market. The most significant investors in the financial market, according to the available data, are individual and institutional investors (Tulsan, 2015).

1. Angel Investors

Angel investors are private individuals. These investors have more money than they have earned. Although they operate with entrepreneurs who are in between their first round of funding and a venture capital attempt, they may be found in many industrial areas (Bisht & Joshi, 2009).

2. Peer-to-Peer Lenders

Peer-to-peer lenders may be either private or public entities. They contribute to small company funding. You must apply to businesses that specialize in peer-to-peer lending if you wish to apply for this kind of funding. These companies help lenders locate startups that they wish to fund (Bisht & Joshi, 2009).

3. Personal Investors

Companies might go to their networks, friends, and family for their initial funding. If you have folks willing to assist, speak with an expert; not everyone can invest in startups, and you'll need to provide extensive documentation (Baral & Pokharel, 2020).

4. Banks

One traditional source for company borrowing is banks. You will be required to submit documentation of a revenue source or collateral before your application is accepted. For established enterprises, banks are therefore typically a preferable choice, although you don't have to be a tycoon to obtain finance (Baral & Pokharel, 2020).

5. Venture Capitalists

The venture capitalists are investors in private equity that lend money to businesses with strong development prospects in return for a share of the company. They frequently make large financial investments and are utilized when a firm shows promise for substantial earnings (Subedi, 2020).

2.1.8 Factors to be considered in Investment in Securities

When choosing stocks, investors should take into account a number of aspects, including favorable corporate growth rates, dependable management of the firm's advantageous sectors, solid future prospects, and risk. When purchasing securities, investors should evaluate the cost and value of the shares or debt. The preferences of the investors cannot be protected by laws and regulations alone. Investors ought to be informed about securities and business performance. Generally, before making an investment, the following things need to be taken into account.

- Risk of securities
- Liquidity

- Availability and Accessibility
- Investment Portfolio
- Stability of Income
- Strength
- Mobility
- Cash flow

The investors are to be informed about the following before making investment in the Initial Public Offerings (Security Board of Nepal, 2023).

- The company's promoters, size, surroundings, Board of Directors (BOD), and historical and projected financial statements (Performa Balance Sheet), among other information from the relevant company's prospectus, articles, and memorandum
- To review the company's public statement published in a national daily newspaper seven to fifteen days prior to the start of the share offering.
- Prior to purchasing a share on the secondary market, investors must be aware of the following:
 - Preserve corporate information, including earnings per share (EPS), book price per share (BPS), price-earnings ratio (P/E ratio), future strategy, and company development, as well as return on shareholders in the form of cash dividends, stock dividends, bonus shares, etc.
 - Examine the investor notices posted on the SEBON and NEPSE notice boards regarding the listed firms.
 - Examine the articles in various newspapers and periodicals that discuss share trading and other economic issues.
 - Examine the NEPSE-published trading statements and financial analyses of listed firms.
 - Examine yearly reports and other data released by SEBON, among other sources.

2.2 Theoretical Review

This section reviews the theories that each individual investor should consider before making an investing choice.

2.2.1 Efficient Financial Market Theory

Market efficiency is the idea that a security's market price reflects the market's assessment of its worth. When the market is efficient, it sets the price after considering all of the information at its disposal. When an investor decides to keep a security, it's because they believe the security is worth at least its current market value based on their information. The information is seen as a reduced assessment by those who choose not to buy the stock. Security prices in an efficient stock market take into account all publicly accessible information about the financial markets, the economy, and the particular firm in question. The inference is that individual stocks' market prices react quickly to fresh information. Consequently, it is stated that the prices of securities vary arbitrarily around their "intrinsic" values (Chaudhary et al., 2021).

Formally speaking, market efficiency is the property wherein the unexpected part of the return on an asset is unpredictable and does not systematically deviate from zero over a significant number of observations. The actual return minus what was anticipated based on some basic study (e.g., its "intrinsic value") is the unforeseen fraction. Stated differently, it's the aspect of surprise. According to the famous definition, weak-form market efficiency indicates that the unexpected return has no correlation with earlier unexpected returns. Stated differently, the market lacks memory. Understanding the past won't help you make money in the future. Its semi-strong form market efficiency indicates that it has no correlation with data that is accessible to the general public. Last but not least, a key indicator of market efficiency is that the expected return is uncorrelated with any knowledge, whether insider or publicly available (Gitman, 1988).

2.2.2 Random Walk Theory

The random walk hypothesis states that every revenue stream from an equity investment in the future will be independent of previous income streams. Therefore, it is not possible to predict the future values of common stock using the behavior of component prices.

According to the random model, past price fluctuations or price changes are not useful in forecasting future price or return fluctuations. This indicates that subsequent price changes are independent, meaning we will not be successful if we try to anticipate future prices in absolute terms using only previous price change information. This independence suggests that prices will always, on average, reflect the intrinsic value because, among other reasons, different investors assess the information at hand differently or have different perspectives on the company's prospects. Professional and astute non-professional investors, on the other hand, are able to take advantage of short-term or sporadic deviations from the intrinsic value and, by actively purchasing and selling the relevant stock, will drive the price back to equilibrium. Lastly, the efficient market hypothesis maintains that there is no benefit to be obtained from any kind of study, whether it be technical or fundamental, because price represents all available information and information arrives randomly. It makes the assumption that all data, both fresh and old, has been gathered and analyzed by thousands of investors, and that the price appropriately reflects this. Analyzing previous data, either technical or fundamental, cannot boost returns since it has no bearing on current or future pricing (Rana & Thapa, 2014).

2.2.3 Fundamental Analysis

Analyzing a variety of elements, including governmental auctions, economic impacts, competition information, and firm information, is the task of fundamental analysis. The intrinsic value of a stock is determined by a fundamentalist fundamental analyst. The fundamentalists maintain that every stock has an intrinsic value at any given time, which should in theory equal the present value of an anticipated stream of income from that stock discounted at a proper risk related rate of interest (Tulsan, 2015). Intrinsic value is the true economic work of a financial asset. The present value of all future earnings that the share owner will get is what determines the value of common stock.

2.2.4 Technical Analysis

The technical analysis hypothesis is predicated on historical market data and the idea that history tends to repeat itself. It is thought that understanding historical share price trends would aid in forecasting future prices in situations that are comparable to the

past. The technician often offers suggestions regarding the timing of buying and sells of either individual stocks, groups of stocks (such industrial stocks), or stocks in general by attempting to forecast short-term price fluctuations. It's frequently said that the purpose of basic analysis is to provide a response to the query "What" and technical analysis to respond to the "When" query? (Chaudhary et al., 2021).

According to technical analysts, a share's current price is the equilibrium reached by buyers and sellers at any given moment. Price fluctuations can occur due to a variety of internal and external causes, including political unrest, forecasts, and profitability, among others. When there is balance between buyers and sellers, prices stabilize. They think that historical price fluctuations over a given period of time are recorded. The idea that history repeats itself is the foundation of an entire system. The fact that human nature is constant and that his historical movement patterns are likely to recur in the future (Brigham & Western, 1999).

2.3 Empirical Review

Khajavi et al. (2023) empirically explained different models of decision making by individual investors based on regret aversion concept-evidence from capital market of Iran. This research examined the impact of regret aversion on various decision-making strategies used by individual investors to identify the predominant strategy in Iran's capital market. The study then provided empirical evidence for this strategy based on the degree and kind of regret experienced following the adoption of a decision. It was discovered that the only substantial and positive association between regret aversion bias and individual investors' judgmental analysis (market sentiment)-based decision-making model existed. Nonetheless, after making a decision, investors with individual regret aversion exhibited a greater degree and severity of regret compared to the prevailing decision-making pattern. As a result, the idea of regret aversion—which holds that feeling less remorse after making a decision is not significant—has not been scientifically supported.

Kumar and Lakshmi (2023) investigated the investor's behavior towards risk-return in capital markets. The aim of the research was to investigate investors' views and understanding of the stock markets and to ascertain how their actions affect risk-return

management and wise investment choices. ANOVA and the Chi-square test were employed in this study's data analysis. It was discovered that the economic situation was one of the main determinants of investment choice. The majority of respondents were content with the current return while also anticipating a rise, and more than half of them preferred medium-term investments with moderate risk and moderate return. The aspects of risk-return management, investment awareness, monitoring, and assessment were found to have a substantial impact on making good investment decisions.

Afriany (2023) explored Covid 19: investment decisions of individual investor based on behavioral finance factors. The impact of many behavioral biases, including herding, anchoring, and overconfidence bias, on Indonesian investors' stock investing decisions was examined in this study. The partial least square (SEM-PLS) model of structural equation modeling was the statistical technique employed in this study to assess the data. Herding behavior, which occurs when investors follow the actions of others, was found to have a negative and significant impact on stock investment decisions in this study. Overconfidence bias and anchoring bias were also found to have positive and significant effects on stock investment decisions.

Chhetri (2022) examined the decision making behavior of individual stock investors' in Nepal. This study investigated the variables influencing Nepalese stock investors' individual decision-making behavior and looked at how much of an impact these factors had in relation to different demographic and socioeconomic traits. This study used an exploratory and descriptive research methodology together with a quantitative technique. Factor analysis was done in this study to investigate the important factors. It was discovered that the aspects with the biggest impact on an individual stock investor's decision-making behavior are accounting and stock market knowledge. Interestingly, the impact of public and economic information varied considerably amongst male and female investors but not across various age groups. Information about accounting and the stock market also has a markedly varied impact on investors with diverse educational backgrounds. The elements that had the most influence on investors were determined to be the expected dividends, expected company earnings, dividend payments, and the quality of the financial statements.

Hidayana et al. (2022) studied the investment decision-making model to predict the risk and return in stock market. This study attempted to use a time series model technique to examine the risk and return of stock asymmetry. The Autoregressive Integrated Moving Average-Glosten Jagannatan Runkle Generalized Autoregressive Conditional Heteroscedasticity (ARIMA-GJR-GARCH) model was used to predict risk and stock returns. Based on the ratio between the expected values of the average return and Value-at-Risk, it was discovered that the top 10 stocks were PTBA, TLKM, UNVR, and BBCA stocks. These companies had comparatively higher performance. Additionally, the data showed that negative news had a bigger impact on stock return volatility. The estimated maximum risk of loss may be ascertained using the Value-at-Risk findings. Investors found it helpful in selecting stocks with a low chance of investment loss.

Manandhar (2022) analyzed the impact of advocate recommendations and firm image on investment decision in Nepalese Stock Market. The impact of advocate recommendations on a company's reputation and how it influences investment choices in the Nepalese stock market were examined in this study. An analytical and descriptive research approach was employed in the study. The gathered data were analyzed and interpreted using Excel and SPSS using the following functions: correlation, independent sample t-test, variance, mean, standard deviation, and variance. It was discovered that corporate reputation and advocate referrals positively impacted investing choices. In the Nepalese stock market, there was also no difference in advocate advice, firm image, or investment decisions made by men and women.

Chaudhary et al. (2021) analyzed the investors' interest towards mutual funds: A study of Kathmandu valley, Nepal with the objective to assess the investor's Mind-set towards mutual funds in Kathmandu valley. The study's goal was to determine how investors in the Kathmandu Valley felt about mutual funds. A total of 230 prospective respondents were purposefully chosen by questionnaire in order to meet the specified objectives. Analysis of the gathered data is done using both correlation and descriptive analysis. Regarding knowledge of the several financial products that are presently offered in the financial sector of Nepal. According to the survey, the majority of investors had a moderate level of acquaintance with shares, a very low level with bonds,

debentures, and money market instruments, and a medium level of familiarity with fixed deposits. According to the study, the reasons why investors were drawn to mutual funds in Nepal were their professional management services, flexibility, and safe investing mechanism.

Gnawali (2021) examined behavioral biases and individual investor's decision making in Nepalese stock market: descriptive perspectives. This study examined the impact of independent factors on individual stock market decision-making behavior in Nepal using primary data. The study's data, which was utilized to compute correlation and regression, was gathered from the investors present at the broker house. Descriptive as well as inferential analyses were employed in this investigation. The study discovered that, for all investors, social interaction and regulatory policies are the only factors that significantly influence how investors make decisions. Regression analysis for novice investors revealed that, for them, social interaction, regulatory policies, psychological factors, and company reputation all significantly influence how investors make decisions, while for seasoned investors, social interaction alone significantly influences how they make decisions.

Baral and Pokharel (2020) examined the behavioral factors and investment decision: a case of Nepal. The study's primary goal was to investigate the beliefs and actions of investors in the Nepalese stock market. This study, which was based on other studies, employed the Nepal Stock Exchange's investment performance as the dependent variable and four independent variables—the heuristic, prospect, market, and herding. Based on primary data gathered from 120 respondents who have invested in shares of NEPSE-listed businesses, this study is an empirical investigation. It was shown that the market component significantly affects how well investments perform. It was discovered that there is no significant correlation between investment performance and heuristics (such as anchoring, representative, overconfidence, availability bias, and gamble's fallacy), herding (buying and selling, volume of trading stocks, speed of herding), and prospect (loss aversion, regret aversion, and mental accounting).

Shrestha (2020) analyzed the factors influencing investment decisions of Nepalese investors. The purpose of the study, was to examine the variables impacting Nepalese

investors' stock market investing decisions. 110 respondents opinion on a Likert scale and structured questionnaires are used to collect the data. Three primary variables are identified as impacting investment decisions: the market related variable (MRV), the risk and return related variable (RRV), and the business related variable (CRV). The survey found that most investors use their own savings to purchase stocks that they research companies before making an investment, that they periodically check their portfolios, and that most investors prefer to purchase shares from the primary market. It was discovered that all regression models showed a positive and significant coefficient of the company-related variable (CRV). It was determined that Nepalese investors make their investment decisions by keeping an eye on the variables connected to Nepalese enterprises.

Shrestha and Pokhrel (2019) identified the factors affecting stock index in Nepal. This study used monthly NEPSE data, and empirically analyzed the factors influencing the Nepalese stock market index. It was also determined how significant political shifts will affect Nepal Rastra Bank's lending practices regarding paid-up capital and share collateral. The broad money growth and interest rate have a positive and negative correlation, respectively, with the Nepal stock index, according to empirical data derived from OLS estimates of behavioral equations. The stock index was found to react significantly to changes in the political environment and Nepal Rastra Bank's policies regarding lending against share collateral, as well as partially to paid-up capital hikes. It also had an association with inflation and a negative relationship with broad money and interest rates.

Poudel and Shrestha (2019) analyzed the stock return and trading volume relation in Nepalese stock market: An ARDL approach. Using 149 months of data, the study sought to determine the link between trading volume and stock returns. Using the Autoregressive Distributed Lag Approach, the study examined the short- and long-term relationships between trading volume and stock returns. The investigation revealed a strong positive correlation between trading volume and stock returns over the long and short terms. Additionally, it is discovered that market participants utilize volume as an introduction to stock returns and that there is a considerable influence of stock returns on trading volume in the Nepalese stock market.

Pokharel (2018) analyzed the investor's preference on stock market: A case of Nepal Stock Exchange. The study sought to understand why investors choose to invest in the listed firms on NEPSE, investigate the rationale behind their choice of specific NEPSE companies, identify the driving forces behind their investment preferences, and (4) investigate the rationale behind investing in initial public offerings (IPOs). The survey strategy used in the study included a structured questionnaire. The findings showed that investors were discovered to be interested in secondary markets for investments. The primary factors influencing share selection are high earning rate and liquidity. Investors believe that broker advice and index movement are the most important aspects when making an investment choice in the NEPSE secondary market. The daily newspaper's news and current market conditions are thought to have the least impact on investing decisions. The respondents ranked capital gains as the most important driving element, followed by liquidity, dividends, safety, and bonus shares. The respondents ranked tax advantages and rights shares as the least preferred motivating reasons.

Huang and Yang (2018) evaluated the investors' sentiment and enterprise's non-efficient investment: the intermediary effect of stock price volatility. This study used data from Chinese A-share listed companies to investigate the impact of irrational investor perception on the enterprise's inefficient investment. This study discovered that the irrational sentiment of investors is a major factor influencing the enterprise's inefficient investment; stock price volatility acts as a mediator; investors' sentiment is one of the factors contributing to the market share price fluctuation, which deviates from its fundamental value; overvalued stocks encourage excessive investment, while undervalued stocks sharply exacerbate underinvestment. Enterprise investment efficiency is indirectly impacted by the external economic environment, namely the irrational mood of investors and the volatility of stock prices.

Yuniningsih et al. (2017) analyzed the decision making in the stock investment. This study's goals were to determine the level of risk that investors are willing to accept when making investments related to their loss aversion, as well as the relationship between their risk-taking behavior and their loss aversion. The loss aversion was examined as an independent variable from both the gain and loss domains. To ascertain

how the risk-taking behaviors in the two domains differ with regard to loss aversion, the ANOVA Test is utilized. According to the data, investors who exhibit loss aversion in the gain domain take less risks than those who exhibit loss aversion in the loss domain. Moreover, loss aversion significantly influences investors' decisions to take risks when making investments, especially when it comes to equities.

Table 1

Summary of Empirical Review

S. no.	Authors	Title	Objectives	Methodology	Findings
1	Khajavi, Kiamehr & Bayazidi, (2023)	Empirical explanation of different models of decision making by individual investors based on regret aversion concept-evidence from capital market of Iran.	To analyze the effect of the regret aversion on applying different patterns of decision making by individual investors in order to determine the dominant pattern in the capital market of Iran	Correlation and Regression analysis were used for data analysis.	It was discovered that the only substantial and positive association between regret aversion bias and individual investors' judgmental analysis (market sentiment)-based decision-making model existed. Nonetheless, after making a decision, investors with individual regret aversion exhibited a greater degree and severity of regret compared to the prevailing decision-making pattern.
2	Kumar & Lakshmi, (2023)	Investor behavior towards risk-return in capital markets.	To study the perceptions and awareness of the investors about the stock markets and to determine the impact of investors' behavioral influences on risk-return management and effective investment decision.	ANOVA and Chi-square test were used for data analysis.	It was discovered that the economic situation was one of the main determinants of investment choice. The majority of respondents were content with the current return while also anticipating a rise, and more than half of them preferred medium-term investments with moderate risk and moderate return.
3	Afriany, (2023)	Covid 19: investment decisions of individual investor based	To analyze the effect of several behavioral biases, namely overconfidence	Structural equation modeling-partial least square (SEM-	Herding behavior, which occurs when investors follow the actions of others, was found to have a negative and significant impact on

		on behavioral finance factors.	bias, anchoring bias, and herding on stock investment decisions in Indonesian investors.	PLS) model was used in this study.	stock investment decisions in this study. Overconfidence bias and anchoring bias were also found to have positive and significant effects on stock investment decisions.
4	Chhetri, (2022)	Decision making behavior of individual stock investors' in Nepal.	To explore the factors influencing the individual investors' decision making behavior of Nepalese stock investors and to examine the relative degree of influence of such factors with respect to various demographic and socio-economic characteristics.	Factor analysis was performed to explore the influential factors.	It was discovered that the aspects with the biggest impact on an individual stock investor's decision-making behavior are accounting and stock market knowledge. Interestingly, the impact of public and economic information varied considerably amongst male and female investors but not across various age groups.
5	Hidayana , Napitupulu, & Sukono, (2022)	An investment decision-making model to predict the risk and return in stock market: an application of ARIMA-GJR-GARCH.	To analyze the return and risk of stock asymmetry using a time series model approach.	Autoregressive Integrated Moving Average-Glosten Jagannatan Runkle Generalized Autoregressive Conditional Heteroscedasticity (ARIMA-GJR-GARCH) model was applied in this study.	It was discovered that the data indicates that negative news has a bigger impact on stock return volatility. The estimated maximum risk of loss may be ascertained using the Value-at-Risk findings.
6	Manandhar, (2022)	The impact of advocate recommendations and firm image on investment	To analyze the relationship between advocate recommendations and a firms'	Mean, standard deviation, variance, independent sample t-test,	It was discovered that corporate reputation and advocate referrals positively impacted investing choices. In the Nepalese stock market, there was also no

		decision in Nepalese Stock Market.	image and how they affect investment decisions in the Nepalese stock market.	and correlation were utilized in this study.	difference in advocate advice, firm image, or investment decisions made by men and women.
7	Chaudhary, Dhakal, & Adhikari, (2021)	An investors' interest towards mutual funds: a study of Kathmandu valley Nepal.	To assess the investor's Mind-set towards mutual funds in Kathmandu valley.	Descriptive and correlation analysis were used in this study.	It was discovered that the majority of investors had a medium level of acquaintance with shares, a very low level with bonds, debentures, and money market instruments, and a medium familiarity with fixed deposits.
	Gnawali, (2021)	Behavioral biases and individual investor's decision making in Nepalese stock market: descriptive perspectives.	To examine the effect of the independent variables on investment decision making behavior of individual in stock market.	Correlation and regression analysis were used in this study.	It was discovered that, for all investors, social interaction and regulatory policies are the only factors that significantly influence how investors make decisions. Regression analysis for novice investors revealed that psychological factors, social interaction, regulatory policies, and company image significantly influence how investors make decisions, and for seasoned investors, social interaction alone significantly influences how they make decisions.
8	Baral & Pokharel, (2020)	Behavioral factors and investment decision: a case of Nepal.	To examine the investors' opinions or behavior in Nepalese stock market.	Correlation and regression analysis were used in this study.	It was discovered that there is no significant correlation between investment performance and heuristics (such as anchoring, representative, overconfidence, availability bias, and gamble's fallacy), herding (buying and selling, volume of trading stocks, speed of herding), and prospect (loss aversion, regret aversion, and mental accounting).
9	Shrestha, (2020)	Factors influencing investment	To analyze the factors influencing	Correlation and regression	It was discovered that all regression models showed a positive and significant

		decisions Nepalese investors.	investment decisions of Nepalese investors in the stock market.	analysis were used in this study.	coefficient of the company- related variable (CRV). It was determined that Nepalese investors make their investment decisions by keeping an eye on the variables connected to Nepalese enterprises.
10	Shrestha & Pokhrel, (2019)	Factors affecting stock index in Nepal.	To examine the factors affecting the stock market index in Nepal using monthly data of NEPSE.	Correlation and regression analysis were used in this study.	The broad money expansion was shown to have a beneficial impact on the Nepalese stock index, whereas the interest rate had a negative effect. The stock index was found to respond significantly to changes in the political environment and Nepal Rastra Bank's policies regarding lending against share collateral, as well as partially to paid-up capital hikes. It also had an association with inflation and a negative association with broad money and interest rates.
11	Poudel & Shrestha, (2019)	Stock return and trading volume relation in Nepalese stock market: an ARDL approach.	To find out the relationship between stock returns and trading volume.	Autoregressiv e Distributed Lag Approach was applied in this study.	It was discovered that trading volume and stock returns had a strong positive correlation over the long and short terms. Additionally, it is discovered that market participants utilize volume as an introduction to stock returns and that there is a considerable influence of stock returns on trading volume in the Nepalese stock market.
12	Pokharel, (2018)	A survey of investors' preference on stock market: a case of Nepal stock exchange.	To study the investors' choice of investment on the listed companies of NEPSE, examine the reasons for selecting the particular companies on	Descriptive analysis was used for the data analysis in this study.	Investors were discovered to be interested in secondary markets for investments. The primary factors influencing share selection are high earning rate and liquidity. Investors believe that broker advice and index movement are the most important aspects when making an

			NEPSE, find out the motivating factors that influence the investment preference, and the reasons for investment in IPOs.		investment choice in the NEPSE secondary market. The daily newspaper's news and current market conditions are thought to have the least impact on investing decisions.
13	Huang & Yang, (2018)	Investors' sentiment and enterprise's non-efficient investment: the intermediary effect of stock price volatility.	To explore the influence of investors' irrational sentiment on the enterprise's non-efficient investment.	Correlation and regression analysis were used in this study.	It was discovered that the enterprise's inefficient investment is greatly impacted by the irrational sentiment of the investors; stock price volatility acts as a mediating factor; investors' sentiment is one of the factors contributing to the market share price fluctuation, which deviates from the fundamental value; overvalued stocks encourage overinvestment, while undervalued stocks sharpen underinvestment.
14	Yunining sih, Widodo & Wajdi, (2017)	An analysis of decision making in the stock investment.	To test how much risk investors are willing to take when making their investment associated with the loss aversion and risk taking behavior.	ANOVA Test is applied to determine the risk taking behavioral differences in this study.	It was shown that investors who are loss averse in the gain domain take less risks than those who are loss averse in the loss domain. Loss aversion also significantly affects the risk-taking decisions that investors make while making investments, especially when it comes to equities.

2.4 Research Gap

Money is being invested by investors with a variety of goals in mind, including profit, security of their investment, appreciation, and stable income. The Nepal Stock Exchange provides capitalists and other investors with access to a variety of investment instruments, including those in banks, finance firms, hotels, manufacturing, and services. One of the important components of every financial market is the capital market. Choosing firms that offer a larger return in the form of dividend yield or capital

gain is likely the most important problem encountered by investors when making investment selections. Shares are purchased by investors primarily for income (Pokharel, 2018). An investment strategy is a plan designed to help an individual select the best possible investment portfolio to help him reach his financial objectives in a specific amount of time. An investment strategy is often composed of a number of procedures, guidelines, and rules that are created in accordance with the trade-off or compromise between the investor's returns and risks (Pokharel, 2018).

The preferences of investors and financial instruments in the Nepalese setting have not been the topic of many specialized studies. The way that investors behave shifts throughout time. Preferences and priorities also shift while making investing decisions. Investing itself involves behavioral and psychological processes as well. Thus, this study looks at how investors now see market, risk, and return characteristics, as well as corporate aspects, as key drivers. Since there is a dearth of prior study on the subject of individual investors' investing decisions, the researcher saw a research vacuum and decided to fill it. As a result, this study examines the variables that influence investors' decisions to purchase securities as well as their preferred instruments. Additionally, determine how knowledgeable investors are about the choices they make when selecting assets. Thus, in a real sense, this study closes the information gap for those looking for additional in-depth research on the attitudes and preferences of investors in the security market.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view. This chapter includes research design, sources of data, sample of the study and tools for the data analysis.

3.1 Research Design

This study makes an effort to examine investor preferences and factors that affect individual investors' decisions to make investments in the Nepalese stock market. Both a descriptive and causal research design have been employed to meet the study's goal. Causal research design is used to examine the relationship between the study's variables, whereas descriptive research explains the survey data and illustrates the distribution of respondents.

3.2 Population and Sample

Total 450 respondent's views are obtained purposively from those who are either engaged or invested in Nepalese security market or shareholders of companies traded in NEPSE. Out of 450 responses, 400 respondent's views are taken as sample for this study using purposive sampling methods who have answered all the questionnaires.

3.3 Nature and Sources of Data

This study is mainly based on primary source of data and the data and information are collected through survey. Discussions and structured questionnaire interview with existing and potential investors of Nepalese stock market have been conducted to collect the primary data. The core data was gathered through structured questionnaire interviews and discussions with current and prospective investors in the Nepalese stock market. A 5-point rating scale, from 1 for Strongly Disagree to 5 for Strongly Agree, is used in the questionnaire used to gather data for the study. The opinion survey data are arranged in a quantitative form of the data in the excel worksheet.

3.4 Methods of Analysis

Statistical techniques were utilized for the analysis of the data obtained from the questionnaire. The respondent's data were coded, tallied, and entered into an SPSS spreadsheet. Quantitative data input and analysis are done with MS-Excel. The descriptive study's variables, which assess the factors impacting investing decisions on the Nepali stock market, have the mean and standard deviation reported. For casual relationship analysis, regression, correlation, and hypothesis have been employed.

Arithmetic Mean

One of the fundamental statistical measures of average is the arithmetic mean, often known as the arithmetic average. A collection of observations' arithmetic mean is calculated by dividing their sum by the total number of observations, represented by the symbol X.

Percentage

One of the best tools for comparing two amounts or variables is a percentage. The word "percentage" simply means "per hundred." Stated otherwise, a percentage is a fraction with 100 as the denominator, and a rate of percent is the numerator of this fraction.

Correlation Coefficient (r)

The relationship between an independent variable and another independent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Regression Analysis

Regression analysis is a collection of statistical procedures used in statistical modeling to estimate the connections between variables. When the focus is on the link between a dependent variable (investment choice) and one or more independent variables, such as company factors (CF), risk and returns related factors (RRF), and market factors (MF),

it encompasses a variety of methodologies for modeling and evaluating multiple variables. More precisely, regression analysis clarifies how, when any one of the independent variables is changed while the other independent variables are kept constant, the usual value of the dependent variable, also known as the "criterion variable", changes. The relationship's conceptual model is expressed as follows:

$$ID = \beta + \beta_1CF + \beta_2RRF + \beta_3MF + e$$

Where,

ID = Investment Decision

β = Intercept

β_1 = Coefficient of Company Factors

β_2 = Coefficient of Risk and Returns Related Factors

β_3 = Coefficient of Market Factors

CF = Company Factors

RRF = Risk and Returns Related Factors

MF = Market Factors

3.5 Research Framework and Definition of Variables

Conceptual framework for this study is derived from the study of Shrestha, (2020) on Factors influencing investment decisions Nepalese investors. The framework for this study can be presented as;

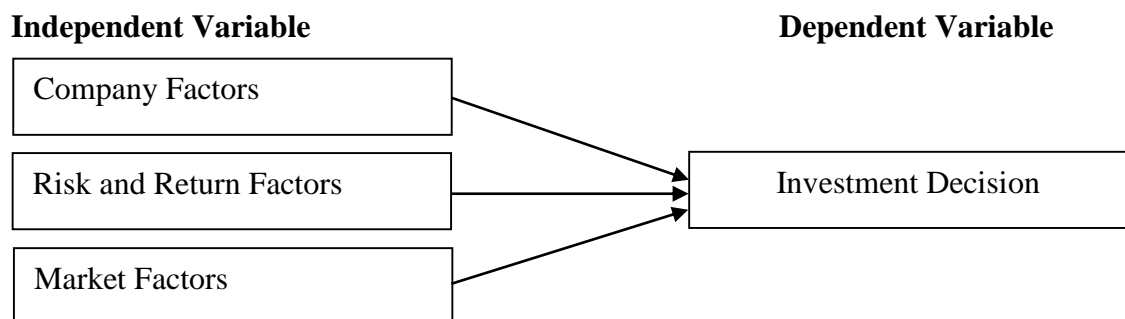


Figure 1. Factors Influencing Investment Decision of Investors

Figure 1 shows the research framework of the study based on the above literature available. It shows the specific factors than can influence on investment decision of the

investors in Nepalese stock market. The independent variables used in this framework are company factors (CF), risk and returns related factors (RRF) and market factors (MF) and investment decision (ID) of investors are considered as dependent variable for the study.

Definition of Variables

Investment Decision

Respondents are questioned about how factors such as a firm's dividend history, share price growth, share drop, and current stock market increase affect their choice to purchase or sell. Investors believe that broker advice and index movement are the most important aspects when making an investment choice in the NEPSE secondary market (Pokharel, 2018).

Company Factors

The management team of the business, the business's recent financial performance, its size and development, and stock-related variables (such as EPS, BVPS, and DPS) are among the corporate elements that are examined in order to make an investment choice. Shrestha (2020) stated that company-related variables significantly positively influenced Nepalese investors' investment decisions.

Risk and Return Factors

Higher predicted returns, historical stock purchase returns, a company's reduced stock purchase risk, highly liquid securities, and other characteristics are all tied to the stock's risk and return. Pokharel (2018) comes to the conclusion that the advice of the broker, rather than the investor's own judgment, was what influenced the choice to invest because of the high rate of return and liquidity.

Market Factors

Market information, market capitalization, strong demand, policy information, and other criteria are among the market elements that investors consider while making decisions. Baral and Pokharel (2020) found that there is a significant correlation between market-related indicators and investors' decision-making tendencies.

CHAPTER - IV

RESULTS AND DISCUSSION

This chapter includes the presentation and analysis of data. The basic objective of this chapter is to analyze the data from the survey. This chapter is divided into two sections, first section includes results of the analysis and second includes discussion of the results.

4.1 Results

This section includes the presentation and analysis of primary data collected from different respondents.

4.1.1 Demographic Profile

The demographic distribution of the respondents involves in this study are categorized as gender, education level and income level which is presented in the table 2.

Table 2

Demographic Profile of Respondents

Gender	Frequency	Percent
Male	240	60
Female	160	40
Total	400	100
Education	Frequency	Percent
SLC	32	8
+2	16	4
Bachelor	160	40
Masters	192	48
Total	400	100
Income per year	Frequency	Percent
up to 5 Lakhs	216	54
up to 10 Lakhs	128	32
More than 10 Lakhs	56	14
Total	400	100

Source: Field Survey, 2023

Table 2 shows the gender-wise no. of respondents and the percentage of male and female respondents who are participated in the survey. It is clear that male are more actively involved in investment in shares. Total number of male respondents are 240 (60 percent) whereas the total number of female respondents are 160 (40 percent).

Table also presents the education level of the respondents who are participated in the survey. It is clear that majority of respondents have master's degree education i.e. 192 (48 percent) followed by bachelor level educated responses i.e. 160 (40 percent). There is only 4 percent respondents who have got +2 level education i.e. 16 and there are 32 respondents (8 percent) who have completed SLC level education.

Likewise, table 2 depicts the income level of the respondents which is categorized in three level i.e. up to 5 lakhs, up to 10 lakhs and more than 10 lakhs group. It is clear that there is maximum no. of respondents who are earning up to 5 lakhs annually i.e. 54 percent which consist of 216 respondents. On the other hand, only 14 percent of the respondents have earning more than 10 lakhs per year, this leads to conclude that most of the investors in the survey are from low level income.

4.1.2 Market preferred by Individual Investors

Investors are asked that from which market they usually buy stocks and the responses are collected in term of primary market, secondary market and both. The responses from the respondents are presented in table 3.

Table 3

Market Preferred by Individual Investors

Market	Frequency	Percent
Primary	144	36
Secondary	80	20
Both	176	44
Total	400	100

Source: Field Survey, 2023

Table 3 shows the investor's preference in the stock market to invest. It can be observed that investors are more interested to invest in primary market and secondary market both i.e. 176 (44percent) in comparison to secondary market there is more respondents who are interested in the primary market for the investment i.e. 80 (20 percent) and 144 (36 percent) respectively.

4.1.3 Do you Analyze Company before Investment

Investors are asked that do you analyze the company where you want to invest before making investment decision and the responses are presented in table 4.

Table 4

Do you Analyze Company before Investment

Response	Frequency	Percent
Yes	208	52
No	100	25
Don't Know	92	23
Total	400	100

Source: Field Survey, 2023

Table 4 presents the investor's pattern of analysis before investment, the result in table indicates that the majority of the respondent i.e. 208 (52 percent) analyzes the company and 100 (25 percent) respondents do not analyze the company for making investment whereas 92 (23 percent) respondent opined that they don't know about this issue. It is found that more than 50 percent investor's in Nepalese stock market are serious about the company's performance analysis before making investment decision.

4.1.4 Holding Duration of Investment

The responses on the investment holding period of the respondents are categorized into shore-term, mid-term and long-term holdings and presented in the table 5.

Table 5*Holding Duration of Investment*

Holding	Frequency	Percent
Short-term	96	24
Mid-term	248	62
Long-term	56	14
Total	400	100

Source: Field Survey, 2023

Table 5 shows the investment holding duration by the investors in Nepalese stock market. The investment horizon has been divided into long term investors, medium term and short term investor category. Most of the respondents i.e. 248 (62 percent) ranked themselves as the mid-term investors. Only 56 respondents (14 percent) consider themselves as the long-term investors and 24 percent of the investors consider themselves as the short-term investors. It shows that long-term investors who generally hold the investment for more than 5 years are quite less in this survey than compared to mid-term and short-term investors.

4.1.5 Descriptive Analysis

There are various factors which influence on investment decision of individual investors. In this study factors which make influence on investment decision of individual investors are categorized into company factors (CF), risk return related factors (RRF) and market factors (MF). The responses in this regard are analyzed using SPSS software and result is presented in table 6.

Table 6*Descriptive Summary of Variables*

Variables	N	Minimum	Maximum	Mean	SD
Investment decision	400	2.00	3.50	2.624	.3477
Company Factor	400	1.75	3.50	2.583	.3505
Risk and Return Factor	400	2.00	4.00	3.036	.4078
Market Factor	400	1.50	4.25	2.731	.5669

Source: Calculation from SPSS Software

Table 6 presents the summary of opinions regarding investment decision of the investors, company factor, risk and return factor and market factor considered more priority. The average score on investment decision is 2.624 which indicates that respondents agrees that they prefer to trade in the market as per the situation.

Similarly, the average score on company factor is 2.583 which also indicates that respondents usually analyze the company factors before making investment decision. Likewise, the average score on risk and return factor is 3.036, which stated that investors analyze the risk and return on their investment and make the investment decision on particular stock.

In contrast, average score on market factor is 2.731, which also indicates that investors regularly keep their eye on the information in the market to make investment decision. It is clearly seen that investors are highly influenced by risk and return related factors followed by market information to invest in stock market.

4.1.6 Relationship between the Variables

The factors influencing investment decision of individual investor of common stock has been analyzed using correlation analysis. For this purpose bivariate correlation analysis has been used. The following section presents the result of correlation analysis results.

Table 7

Correlation Analysis Results

Variables	ID	CF	RRF	MF
ID	1			
CF	0.720**	1		
RRF	0.350**	0.411**	1	
MF	0.244**	0.210**	-0.008	1

Source: Calculation from SPSS Software

Table 7 presents the relationship analysis taking the reference of market factors, risk and return related factors and company factors with the investment decision of the

individual investors. It is observed there is positive relation of all three factors on the investment decision of individual investors. There is high degree positive relation of company factors on investment decision with the coefficient of 0.720 which is statistically significant at 1 percent level of significance. Similarly, risk and return factors of the stock also have significant positive relation with investment decision of individual investors with the coefficient of 0.350, meaning that when the risk and return related factors and company factors of stock goes in the positive direction, investment decision of the investors in the particular stock also increases. On the other hand, market factors also have significant positive relation with the investment decision (i.e. 0.244) of the individual investors under this study.

4.1.7 Regression Analysis

The effect of company factors (CF), risk and returns related factors (RRF), market factors (MF) on investment decision of individual investor has been analyzed using regression analysis. For this purpose multiple regression analysis has been used. The following section presents the result of regression analysis results.

Table 8

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.730	0.533	0.529	0.239

a. Predictors: (Constant), mf, rrf, cf

Source: Calculation from SPSS Software

Table 8 shows the multiple regression coefficient of independent variables market factors, risk and return related factors and company factors of stock to affect the investment decision of individual investors. The R-square value in the table is 0.533 which shows that 53.30 percent variation in investment decision of the investors is explained by market factors, risk and return factors and company factors of the stock remaining 46.70 percent variation in not explained by these variables.

Table 9*ANOVA Table*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	25.717	3	8.572	150.662	0.000
Residual	22.532	396	0.057		
Total	48.249	399			

a. Dependent Variable: id

b. Predictors: (Constant), mf, rrf, cf

Source: Calculation from SPSS Software

Table 9 presents the ANOVA analysis result for the regression coefficient calculated found that F statistics of the regression coefficient is 74.570 which is significant at 1 percent since the significance statistics is less than 1 percent.

Table 10*Coefficients of Variables*

Variables	B	Std. Error	t	Sig.	Collinearity Statistics	
					Tolerance	VIF
(Constant)	0.540	0.116	4.666	0.000		
cf	0.661	0.038	17.212	0.000	0.786	1.272
rrf	0.066	0.032	2.045	0.042	0.822	1.217
mf	0.064	0.022	2.964	0.003	0.945	1.058

a. Dependent Variable: ID

Source: Calculation from SPSS Software

The regression equation from the impact analysis of company factors (CF), market factors (MF) and risk and return factors (RRF) on investment decision (ID) in the study can be shown as;

$$ID = \beta_0 + 0.661 \times CF + 0.066 \times RRF + 0.064 \times MF$$

Table 10 presents the regression coefficient of each independent variables included in the analysis i.e. company factors, market factors and risk and return related factors to

effect investment decision of individual investors. Since, the VIF value of the coefficients are all less than 5 there is no problem of multicollinearity among the variables.

The coefficient of company factor is 0.661 which is significant since the significance statistics (i.e. 0.000) is less than 1 percent, meaning that company factors have significant effect on investment decision. Similarly, coefficient of risk and return factor is 0.066 which is significant since the significance statistics (i.e. 0.042) is less than 5 percent. Whereas, the coefficient of market related factor is 0.064 which is significant since the significance statistics (i.e. 0.003) is less than 1 percent.

4.2 Discussion

The analysis of primary data on 400 respondents revealed that there are 60 percent male respondents and 40 percent female respondents involve in the survey. Among the respondents 48 percent have master's degree 40 percent have bachelor degree, 8 percent have +2 level and only 4 percent have completed SLC level education. Most of the respondents (54 percent) earn up to 5 lakhs per year and only 14 percent earn more than 10 lakhs per year. It is observed that investors are more interested to invest in primary market than secondary market both i.e. 44 percent. It is found that more than 50 percent investor's in Nepalese stock market are serious about the company's performance analysis before making investment decision. Analysis of investment holding duration by the investors in Nepalese stock market, revealed that most of the respondents 62 percent ranked themselves as the mid-term investors, only 14 percent consider themselves as the long-term investors and 24 percent of the investors consider themselves as the short-term investors. It shows that long-term investors who generally hold the investment for more than 5 years are quite less in this survey than compared to mid-term and short-term investors.

Analysis of investment decision on buy and sell decision of investors observed that respondents agrees that they prefer to trade in the market as per the situation. Similarly, investors analyze the risk and return on their investment and make the investment decision on particular stock. In contrast, investors are highly influenced by risk and return related factors followed by market information to invest in stock market.

The relationship analysis taking the reference of market factors, risk and return related factors and company factors with the investment decision of the individual investors observed there is positive relation of all three factors on the investment decision of individual investors. There is high degree positive relation of company factors on investment decision with the coefficient of 0.720 which is statistically significant at 1 percent level of significance and the result is consistent with the result of Pandit (2021) who found that investors made investment decision by considering the performance of the companies.

Similarly, risk and return factors of the stock also have significant positive relation with investment decision of individual investors with the coefficient of 0.350, meaning that when the risk and return related factors and company factors of stock goes in the positive direction, investment decision of the investors in the particular stock also increases. Subedi (2020) found that fair and timely information disclosure was essential ingredients to effect investor's investment decision.

On the other hand, market factors also have significant positive relation with the investment decision of the individual investors under this study i.e. 0.244 which is consistent with the finding of Gnawali (2021) who found regulatory factors and market news have significant effect on investment decision of investors.

The effect of specific factors on the investment decision of the investors in stock market examined that company factors have significant positive effect on investment decision with the coefficient 0.661 which is consistent with the finding of Shrestha, (2020), meaning that company factors have significant effect on investment decision.

Similarly, risk and return related factors have significant positive effect on investment decision of individual investors in Nepalese stock market with the coefficient 0.066 which is also consistent with the finding of Shrestha (2020). Dahal (2019) also found the the main motivating factor of Nepalese investors for owning shares was to receive the dividends and investors in the stock market make the investment decision on the basis of market price of shares.

Whereas, market factors also have significant positive effect on investment decision with the coefficient 0.064 which is consistent with the finding of Shrestha, (2020) and Baral and Pokharel (2020) who revealed that market factor has significant impact on the investment performance. Chaudhary et al. (2021) also revealed that most of investors were familiar with fixed deposits, medium familiarity with shares and very low familiarity with bonds and debentures and money market instruments.

CHAPTER - V

SUMMARY AND CONCLUSION

5.1 Summary

This study examines the variables influencing individual stock market investing decisions in Nepal. The security market in Nepal is expanding. The government is still unable to provide an atmosphere that is appropriate and conducive to investment in order to grow the security market and attract capital to this area. It is common knowledge that the security market is essential to a nation's ability to prosper economically. The nation's whole economic climate is impacted by securities investments. The securities market's most valuable asset is its investor base. Because it offers some insight into the current state of investor preferences in the securities market, this study is significant. The analysis of securities, which are common in the Nepalese financial market, is covered in this study. Analysis is done to determine what influences investors' preferences. In essence, the corporations issue common stocks, which are constantly traded on the Nepalese stock exchange.

The main objective of this research is to examine and analyze the preferences of the Nepalese investors in selecting securities. For this purpose market preferred by investors to trade in security market, securities preferred by investors to buy and sell in security market and the factor affecting investment decision of investors are analyzed. The determining factors of investment decision of individual investors is analyzed as; company factors, risk and returns related factors and market factors in this study. This study assumed that there is no significant effect of company related factors on the investment decision of investors in Nepalese stock market, there is no significant effect of risk and return related factors on the investment decision of investors in Nepalese stock market and there is no significant effect of market related factors on the investment decision of investors in Nepalese stock market.

This study attempts to analyze the preferences of investors and financial instruments. To achieve the objective of this research, descriptive and casual research design has been used. As per the nature of this research, primary data has been used to find the

research objectives and the secondary data has also been used to support the research. In this study information and data have been collected through survey. Discussions and structured questionnaire interview with existing and potential investors of Nepalese stock market have been conducted to collect the primary data. Total of 400 potential investors are taken using purposive sampling methods to extract required information. The data analysis in this study is done with the help of SPSS software for the descriptive analysis, correlation analysis and regression analysis.

5.2 Conclusion

It is concluded that investors are more interested to invest in primary market and secondary market both but in comparison to secondary market more investors are interested in the primary market for the investment. It is found that most of the investors in Nepalese stock market are serious about the company's performance analysis before making investment decision. It can be concluded that there are quite less long-term investors in Nepalese capital market.

Descriptive analysis of investment decision and factors affecting investment decision conclude that investor prefers to sell their investment when share price increases and preferred to buy shares considering dividend history as key factor for making investment in shares. Further, it is concluded that the company factors as growth and size of the company is main consideration for investment decision. Likewise, risk and return factors as companies having lower risk is mostly preferred to invest. Finally, market factors as market information is prioritized by investors for the investment decision.

The relationship analysis concludes that there is positive relation of market factors, risk and return related factors and company factors on the investment decision of individual investors. There is high degree positive relation of company factors on investment decision which is statistically significant. Similarly, risk and return factors of the stock also have significant positive relation with investment decision of individual investors, meaning that when the risk and return related factors and company factors of stock goes in the positive direction, investment decision of the investors in the particular stock also

increases. On the other hand, market factors also have significant positive relation with the investment decision of the individual investors under this study.

The effect of company factors, risk and returns related factors and market factors on investment decision analyzed through regression analysis conclude that company factors have significant positive effect on investment decision. Similarly, market factors also have significant positive effect on investment decision. Likewise, risk and return related factors have significant effect on investment decision of individual investors in Nepalese stock market. The major conclusion of the study indicates that Nepalese investors base their investment decisions on an examination of the business and market factors of their country's enterprises. It may also be inferred that investors actively participate in the Nepalese stock market and employ both technical and fundamental analysis.

5.3 Implications

Following the study's findings and conclusions, its implications can be given.

- Individuals' investing decisions are greatly influenced by business aspects; they tend to invest in stocks whose overall performance is exceptional. The growth of the security market is influenced by business performance in addition to investor knowledge.
- It appears that investors are less knowledgeable about the security market and how it operates, which supports the goal of the awareness campaign to fully inform and educate potential investors about the security market.
- Since stock market traders must be professionals and security services are restricted to capital cities, investors in the stock market appear less experienced. All citizens of the nation are encouraged to engage in investment activities that might lead to a more developed security market by this external requirement.
- The study's findings are restricted, and a more thorough investigation of individual investors' investment decisions in Nepal's stock market can be conducted in the near future to examine these decisions and the contributing variables.
- Similarly, further research on the personality factor that influences behavioral bias and decision-making can be done using this as a guide. Using various parameters and a different sample size can yield superior findings.

- Security prices also have an impact on financial decisions, which may become a hot topic for research in the future.

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ABSTRACT The objective of the study is to examine and analyze the preferences of the Nepalese investors in selecting securities. This study tried to examine market preferred by investors to trade in security market, analyze the securities preferred by investors to buy and sell in security market and analyze the factor affecting investment decision of investors. In this study the major portions of analysis and interpretation have been done on set of questionnaires that are filled by the target investors' and only seven financial instruments have been taken into consideration for the study (i.e.

Commercial Banks, Development Banks, Finance, Insurance, Manufacturing, Hydropower and Other

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