

## FACTORS INFLUENCING INDIVIDUAL'S INVESTING DECISIONS IN THE NEPAL'S STOCK MARKET

Ribesh Maharjan<sup>1</sup>, Suman Bhattacharya<sup>2</sup>

<sup>1</sup>PG Scholar, Lord Buddha Education Foundation, Kathmandu, Nepal

<sup>2</sup>Assistant Professor, Lord Buddha Education Foundation, Kathmandu, Nepal

### Abstract

This paper comprehends the crucial role of stock market in the economic development of the country. It gives information about the history of stock market and discusses about the current situation of Nepal's stock market and individual investors of Nepal, and issues observed in it. It discusses about the importance of comprehension of investors' decision influencing aspects. This research aims to investigate the link between macro-economic aspect, psychological aspect, laws & regulations, company's position in the market and investor's decision. This research has selected 5 independent variables and investigates its role in the investor's decision making. This research has been carried out with online questionnaire survey and follows mixed approach. The researchers may improve a stronger understanding of showcase elements and recognize designs that will be valuable for anticipating future patterns. The researchers may face issues related to generalization and precision issues due to limited sample size and time.

**Key Words:** *Nepal's Stock Market, Investor's Decision*

## CHAPTER 1: INTRODUCTION

### 1.1 Background of the Study

The stock market can be defined as a platform where shares of public companies registered on the stock exchange are bought or sold at prices governed by demand and supply (Yadav, 2017). The stock market has a long history with the emergence of stock exchanges in Europe in the 16<sup>th</sup> and 17<sup>th</sup> centuries (Mexmonov,2020). Dutch East India Company, the first modern stock exchange was inaugurated in Amsterdam in the early 1600s (Petram,2014).

Nepal Stock Exchange (NEPSE) was inaugurated in 1994 to provide a market value to the government and organization shares and bonds by enabling transactions on its platform through members and brokers (Chalise, 2020). Whereas, The Securities Board of Nepal (SEBON) plays the role of the regulatory body in Nepal to manage, control and develop the capital market of Nepal maintaining credibility, fairness, and transparency.

### 1.2 Problem Statement

Investing in the stock market can be profitable but also has the risk of losing wealth. Investors have invested considerable time studying these variables to take correct investment strategies in the stock market. Despite these efforts, they have failed to navigate their stocks properly and make investment decisions matching their financial goals (Sachdeva et al., 2022).

Nepal's stock market has experienced rapid growth over the past few years, attracting a significant number of investors. However, despite the growth, there is a lack of understanding of the factors that influence investors' decision-making process when investing in the Nepalese stock market. These factors include the organization's financial performance, psychological factors, regulatory factors, and macroeconomic factors (Sayyadi Tooranloo et al., 2019). The lack of understanding of these factors results in investors relying on collecting information from various sources to earn profit in the stock market (Naveed et al., 2020). The lack of understanding of these factors presents a significant challenge to investors, regulators, and policymakers in creating a conducive environment for the growth and development of the stock market.

### 1.3 Research Objectives

- To investigate the implications of interest rates on an individual's investment decisions in Nepal's stock market.

- To address influence of political instability on an individual's investment decisions in Nepal's stock market.
- To address the influence of psychological aspects i.e., herd mentality on an individual's investment decisions in Nepal's stock market.
- To find out the implications of the company's financial performance in molding investment decisions of an individual in Nepal's stock market.
- To address how regulatory aspects i.e., securities and banking regulations influence an individual's investment decision-making in Nepal's stock market.

#### **1.4 Research Question**

- To what degree do interest rates impact investment decisions of an individual in Nepal's stock market?
- To what degree do political instability impact investment decisions of an individual in Nepal's stock market?
- To what degree do psychological factors i.e., herd mentality impact investment decisions of an individual in Nepal's stock market?
- What implications does a company's financial performance have in influencing investment decision of an individual in Nepal's stock market?
- How do regulatory aspects i.e., securities and banking regulations, impact an individual's investment decision in Nepal's stock market?

#### **1.5 Research Hypotheses**

##### **Hypothesis 1:**

H0<sub>1</sub>: There is no relationship between psychological factors like herd mentality and in making investment decisions by an individual.

H1: There is a significant relationship between psychological factors such as herd mentality and in making investment decisions by an individual.

##### **Hypothesis 2:**

H0<sub>2</sub>: There is no relationship between interest rates and in making investment decisions by an individual.

H2: There is a significant relationship between interest and in making investment decisions by an individual.

**Hypothesis 3:**

H0<sub>3</sub>: There is no relationship between a company's financial performance and in making investment decisions by an individual.

H3: There is a significant relationship between a company's financial performance and in making investment decisions by an individual.

**Hypothesis 4:**

H0<sub>4</sub>: There is no relationship between regulatory factors like securities & banking regulations and in making investment decisions by an individual.

H4: There is a significant relationship between regulatory factors such as securities and banking regulations and in making investment decisions by an individual.

**Hypothesis 5**

H0<sub>5</sub>: There is no relationship between political instability and in making investment decisions by an individual.

H5: There is a significant relationship between political instability and in making investment decisions by an individual.

**1.6 Significance of the Study**

This research may help investors identify the most promising investment opportunities and make decisions that are aligned with their financial goals. The researchers may gain a better understanding of market dynamics and identify patterns that may be useful for predicting future trends. This research may help policymakers and regulators develop more effective policies and regulations.

**1.7 Scope of the Study**

The scope of this research is to understand the factors that can influence investors' decisions in Nepal's stock market. Various factors impact the performance of the stock market. This research only studies the impact of macroeconomic factors, psychological factors, regulatory factors, and an organization's financial performance.

**1.8 Limitations of the Study**

- The sample population taken for this research study are from Kathmandu Valley only.
- Distribution of the questionnaire was executed through online channels. Issues regarding precision of the collected data may arise.

- Limited questions questionnaire was prepared and distributed to the respondents due to limited amount of time.
- This research study was prepared using data of 312 respondents only.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Research Theories

#### **Behavioral Finance Theory:**

This principle discusses about mental and emotional variables that has an impact on the investors' decisions. These variable includes overconfidence, herd mentality etc. Based on this theory, investors make irrational decisions considering their beliefs and sentiments which gives an outcome of suboptimal investment decisions (Prosad et al., 2015).

#### **Modern Portfolio Theory:**

Economist Harry Markowitz constructed this concept in the 1950s. It suggests investors to make investment in different sectors rather than investing in only one sector taking consideration of varying level of risk and return with the objective to construct optimized portfolio. This theory advises to put more effort on considering risk and return of entire portfolio than wasting time on selecting a particular stock (Curtis, 2004).

#### **Fundamental Analysis Approach:**

Fundamental analysis is an in-depth method to appraising investments such as stocks or bonds by exploring into the underlying factors that influence their worth. The underlying elements that contribute to an asset's financial performance and prospects are used to estimate its genuine worth, according to this analytical process.

### 2.2 Literature Review of Base Papers

**Table 1: Base Paper 1: Factor Influencing Investor Behavior: an empirical study of Saudi Stock Market (Khawaja & Alharbi, 2021)**

<b>Author Name/ Year</b>	Muhammad Junaid Khawaja & Zainab Nasser Alharbi/ 2021
<b>Features</b>	Examines the behavioral factor of investors, prior year trends of the stock, and image of the firm.
<b>Benefits</b>	Constructs a framework for guiding investors and scholars in comprehending strong influencing factors of the stock market.

<b>Limitation</b>	Does not examine or consider overconfidence factor for the study.
<b>Advantages</b>	Gives a comprehensive examination of influence of forecasted EPS, past condition of stock in the market and financial status of the company on the share trading platform.
<b>Methods of Research</b>	Questionnaire
<b>Model Used</b>	Qualitative

This article was finalized analyzing the information and opinion of 125 respondents. The respondents are all investors engaged in Saudi Stock Market. This research paper considers factors like stock price history, financial status of the company, brand image and future growth and income and examines to understand its influence in the share trading platform. The scholar concludes that the investing decision of an individual is mostly affected by his/her level of education, expertise and ability and wealth rather than his/her age or gender.

**Table 2: Base Paper 2: Analyzing causal relationships of effective factors on the decision making of individual investors** (Sayyadi Tooranloo et al., 2019)

<b>Author Name/ Year</b>	Hossein Sayyadi Tooranloo, Pedram Azizi & Ali Sayyahpoor /2019
<b>Features</b>	Conducts comparison analysis of economic, political and behavioral factor to investigate the prioritize factor of the investors.
<b>Benefits</b>	Research study conducted using the expertise advice.
<b>Limitation</b>	Does not consider the opinion of limited knowledge and experts investors.
<b>Advantages</b>	Suggests investors to make choices utilizing multi-criteria decision making tools.
<b>Methods of Research</b>	Descriptive Survey
<b>Model Used</b>	Quantitative

This research was finalized by taking opinions of 35 expert investors. This research study examines 4 indicators and 20 sub-indicators to conclude the effect of these elements on decision taking steps of an investor. Experts' opinion has been studied and considers outcome of comparison analysis of financial indicators and several market indicators to understand the

priority of the investors. This research paper proposes the investors to utilize the multi-criteria decision tools to select appropriate decision for making investments.

### CHAPTER 3: RESEARCH METHODOLOGY

#### 3.1 Research Philosophy

Research philosophy refers to the presumption that provides guidance regarding the method of collecting data, analyzing it, and interpreting the same (Iovino & Tsitsianis, 2020).

- **Positivism:** Positivism states that individuals can recognize social facts that are more objective than opinions and values (Iovino & Tsitsianis, 2020).
- **Interpretivism:** It is based on the concept that people create their social realities via interactions with others and the environment around them (Iovino & Tsitsianis, 2020).

**This research study adopts positivism philosophy.**

#### 3.2 Research Approach

- **Deductive reasoning:** It is a research procedure based on the assumption that if the hypothesis is true, then the end result must be true as well (*Saunders et al., 2009*).
- **Inductive Reasoning:** It entails going from the particular to the general and is based on the idea that if a pattern or trend is seen in certain specific circumstances, it is probably also true in other cases that are similar to those cases (*Saunders et al., 2009*).

**This research follows a deductive reasoning approach. The study has set a hypothesis to test it.**

#### 3.3 Research Strategy

The method or plan that a researcher employs to carry out their study is referred to as a research strategy. It describes the approaches and procedures that will be used to gather and analyze data as well as the general course that the study will take.

- **Survey:** Usually, a questionnaire or survey instrument is used, which has a series of uniform questions that are asked of the participants (Igwenagu, 2016).
- **Case Study:** In the case study, a detailed study of a complicated subject is conducted in its real-world context (Igwenagu, 2016).

**This research uses a survey approach which involves a questionnaire method to collect data.**

### 3.4 Research Choices

- **Qualitative:** This type of research is to learn about and appreciate the importance and experiences of one or more individuals or groups (Pawar, 2020).
- **Quantitative:** It involves acquiring data through surveys, and observational studies, as well as examining the data using statistical techniques (Pawar, 2020).
- **Mixed Approach:** This approach utilizes both qualitative and quantitative research techniques.

**This research is a mixed approach type of research.**

### 3.5 Time Horizon

- **Longitudinal:** In longitudinal research, information is gathered from the same people or groups over a protracted period (Pawar, 2020).
- **Cross-Sectional:** A style of research methodology in which information is gathered from a sample of people or groups all at once (Pawar, 2020).

**The research adopts a cross-sectional horizon to complete the thesis within a given period.**

### 3.6 Type of Data

- **Primary data:** This type of data is directly collected from the subject through an interview or questionnaire.
- **Secondary data:** This data is collected from journals, articles, websites, and books.

**This research uses both primary and secondary data.**

### 3.7 Instrumentation/ Questionnaire

#### 3.7.1 Types of questionnaires

- Paper questionnaires:** In this type, responses are gathered through the distribution of printed question sheets to the respondents.
- Online questionnaires:** In this method, responses are gathered by distributing questions through online means i.e., email and the internet.

#### 3.7.2 Types of Questions

- Open-ended:** In this type, the surveyor may receive answers that are useless for his/her research or not relevant to the subject matter of the research study.
- Close-ended:** In this type, the surveyor will only get the answer he expects and desires for the research.



- iii. **Likert scales:** This type of questionnaire is applicable where the surveyor desires a depth understanding of the respondent's point of view and their level of consensus.

**This research uses a mixture of these three online questionnaire methods to conduct the survey.**

### 3.8 Sources of Data Collection

This research will collect data through interviews and the internet.

### 3.9 Sampling Technique

**3.9.1 Probability Sampling:** In this type of sampling, every object in the population will have an equal chance to be included in the sample population (Taherdoost, 2016).

- **Simple Random Sampling:** In this technique, all items will have the same opportunity to be included in the sample population (Taherdoost, 2016).
- **Cluster Sampling:** It is a sampling technique where a population is organized into groups and an item will be selected from each group to create a sample population (Taherdoost, 2016).
- **Stratified Sampling:** It is a sampling technique where a group population is organized into sub-groups based on their unique features and an item is picked from such group to create a sample population (Taherdoost, 2016).
- **Systematic Sampling:** It is a type of sampling technique where an item is selected from the first unit with the help of random numbers and the rest are selected based on a pre-designed pattern (Taherdoost, 2016).

**3.9.2 Non-Probability Sampling:** This technique is popular for qualitative research and case studies as case studies are practical cases and have small samples (Taherdoost, 2016).

- **Quota Sampling:** In this sampling method, the researcher accumulates the data from a subdivided sample population also known as quota (Taherdoost, 2016).
- **Snowball Sampling:** It is a non-probability sampling technique where research participants recruit other participants for a test or study (Taherdoost, 2016).
- **Convenience Sampling:** In this method, the samples are selected based on the availability status of participants (Taherdoost, 2016).
- **Purposive Sampling:** In this method, the investigator intentionally selects sample items on his judgement to acquire required information (Taherdoost, 2016).

This research study uses convenience sampling and the questionnaire will be presented to investors or people who are engaged in the secondary market.

### 3.10 Research Model

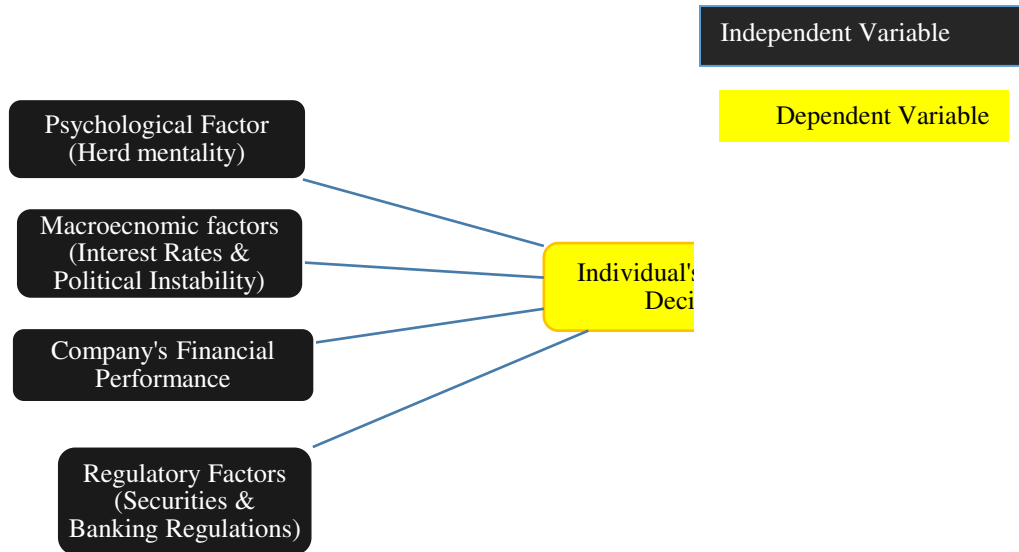


Fig 1: Research Model

### 3.11 Data Collection

- **Editing:** It refers to the process of detecting flaws in raw data, correcting inaccuracies, and simplifying the operation of coding (Hussain, 2020). Before being analyzed, data is modified.
- **Coding:** Coding is the process of designating numbers or other symbols to respondents' responses so that they can be sorted into a small list of categories (Hussain, 2020).

### 3.12 Data Analysis

Data analysis is the procedure of collecting, interpreting, and transforming data to highlight necessary details, provide recommendations, draw conclusions, and assist in making choices (Ibrahim, 2015). It helps to check the reliability and validity of data gathered through the survey.

### 3.13 Ethical Considerations

Putting any pressure on participants for getting information, deception of participants, manipulating data, and engaging in illegal work are some ethical issues that are addressed to ensure ethical consideration (Cacciattolo, 2015).

## CHAPTER 4: DATA ANALYSIS

#### 4.1 Introduction

This chapter focuses on the fundamental concepts that govern data analysis. We'll work our way through the many stages of the data analysis pipeline, beginning with the gathering of data and processing. From evaluating central tendency to testing of hypotheses and regression estimation, statistical tools provide an accurate framework for retrieving information from data while accounting for intrinsic variability.

#### 4.2 Respondents Feedback

The data collection process began in late June 2023 and lasted around two weeks. 350 sets of questionnaires were issued to respondents with the goal of attaining a high response rate. A total of 312 test responses were obtained from the respondents.

*Table 3 Questionnaires distribution details*

Questionnaire	# of Questionnaire
Distributed Online	350
Collected Online	312
Sample Size	312

#### 4.2 Reliability Test

*Table 4 Reliability Results*

Variables of Study	No. of Items	Cronbach's Alpha
All Variable	35	0.973
Individuals Investing Decision (DV)	5	0.844
Interest Rates (IV)	5	0.863
Political Instability (IV)	6	0.873
Herd Mentality (IV)	6	0.883
Company's Financial Performance (IV)	6	0.890
Security & Banking Regulations (IV)	7	0.902

The Cronbach's alpha values of each individual are higher than 0.7, as per table. In terms of internal consistency, each of the all five independent aspect has dependability.

### 4.3 Descriptive Analysis

The demographic features of the respondents, such as gender, age group, educational background, and investing experience in the field of making investing decisions, are revealed by the descriptive analysis findings.

#### 4.3.1 Frequency distribution

- **Age**

*Table 5: Age Frequency*

Age-Interval	Frequency	Percentage
18-25	87	27.88%
26-35	52	16.67%
36-45	95	30.45%
46-55	72	23.08%
56 & above 56	6	1.92%
<b>Total</b>	<b>312</b>	<b>100%</b>

The results reveal that the large of the respondents in this survey were between the ages of 36 and 45, representing for 30.45 % (95 respondents). The second largest group is those aged 18 to 25, who account for 27.88% (87 respondents). This is followed by people aged 46 to 55, who account for 23.08 % respondents (72 respondents). The fourth age group is followed by people aged 26 to 35, who account for 16.67% respondents (52 respondents). The oldest category, those 56 and above 56 with only 1.92 % (6 respondents).

- **Gender**

*Table 6: Gender Frequency*

Gender	Frequency	Percentage
Male	193	61.86%
Female	119	38.14%
<b>Total</b>	<b>312</b>	<b>100%</b>

In this sample, there were 193 males (61.86%) and 119 females (38.14%). As a consequence, the outcome finds that from the total respondents in terms of gender indicated that male respondents accounted for 61.9% of the total respondents, which is higher than female

respondents (119%). This means that the majority of the people who took part in the survey were male.

- **Educational Background**

*Table 7: Education Qualification Frequency*

Education Background	Frequency	Percentage
High School	24	7.69%
Bachelors	155	49.68%
Master's Degree	124	39.74%
Doctorate	9	2.88%
<b>Total</b>	<b>312</b>	<b>100%</b>

As per above shown table, high school make up 7.69 percent whereas bachelors make up 49.68 percent of those who responded to the study. Respondents who are in masters made up 39.74 percent of those who took part in the study. Similarly, respondents who have obtained Doctorate degree account for 2.88 percent of the total respondents.

- **Level of Experience in Investing**

The table below shows 20.19 percent of all respondents have beginner level of investing. 55.13 percent of respondents in this study have intermediate level of experience in investing whereas 16.99 percent claimed to have advanced level of experience in investing, and lastly only 7.69 percent have more than that i.e., expert level of experience in investing.

*Table 8: Level of Experience in Investing*

Items	Frequency	Percentage
Beginner (no prior experience)	63	20.19%
Intermediate (some experience, but not an expert)	172	55.13%
Advanced (considerable experience and knowledge)	53	16.99%
Expert (extensive experience and knowledge)	24	7.69%
<b>Total</b>	<b>312</b>	<b>100%</b>

#### 4.4.2 Descriptive Statistics of Variables

This section represents the mean and standard deviation that were generated for both the dependent and independent aspect to be utilized in the research.

Table 9: Descriptive Statistics of variables

Descriptive Statistics			
	Mean	Std. Deviation	N
Individuals Investing Decision	3.8321	0.81608	312
Interest Rates	3.72	0.845	312
Political Instability	3.75	0.809	312
Herd Mentality	3.79	0.829	312
Company's Financial Performance	3.80	0.844	312
Securities Banking Regulations	3.85	0.797	312

The mean value of dependent variable individuals' investing decision is 3.8321 which states that there is positive perception of respondents. Similarly, the mean value of all five independent variables i.e., interest rates, political instability, herd mentality, company's financial performance, and security & banking regulations are 3.72, 3.75, 3.79, 3.80 and 3.85 respectively. The standard deviation of Individuals' Investing Decision (D.V.) is 0.81608 which states that there is some degree of discrepancy in the mean of 3.8321.

#### 4.5 Correlation Analysis

A correlation coefficient around 1 or -1 implies an extremely strong association, whereas a coefficient near 0 implies a weak or non-existent relationship.

Table 10: Pearson's Correlation Analysis

Correlations							
		Individuals Investing Decision	Interest Rates	Political Instability	Herd Mentality	Company's Financial Performance	Securities Banking Regulations
Pearson Correlation	Individuals Investing Decision	1.000	0.791	0.760	0.811	0.756	0.783
	Interest Rates	0.791	1.000	0.751	0.751	0.685	0.698

	Political Instability	0.760	0.751	1.000	0.800	0.786	0.830
	Herd Mentality	0.811	0.751	0.800	1.000	0.881	0.872
	Company's Financial Performance	0.756	0.685	0.786	0.881	1.000	0.878
	Securities Banking Regulations	0.783	0.698	0.830	0.872	0.878	1.000
Sig. (1-tailed)	Individuals Investing Decision		0.000	0.000	0.000	0.000	0.000
	Interest Rates	0.000		0.000	0.000	0.000	0.000
	Political Instability	0.000	0.000		0.000	0.000	0.000
	Herd Mentality	0.000	0.000	0.000		0.000	0.000
	Company's Financial Performance	0.000	0.000	0.000	0.000		0.000
	Securities Banking Regulations	0.000	0.000	0.000	0.000	0.000	

From the above findings, it denotes that all independent aspects have strong relationship with the dependent aspects.

### 4.6 Normality Test

A normality test is a statistical examining tool used to determine whether the dataset stick to a normal distribution or not.

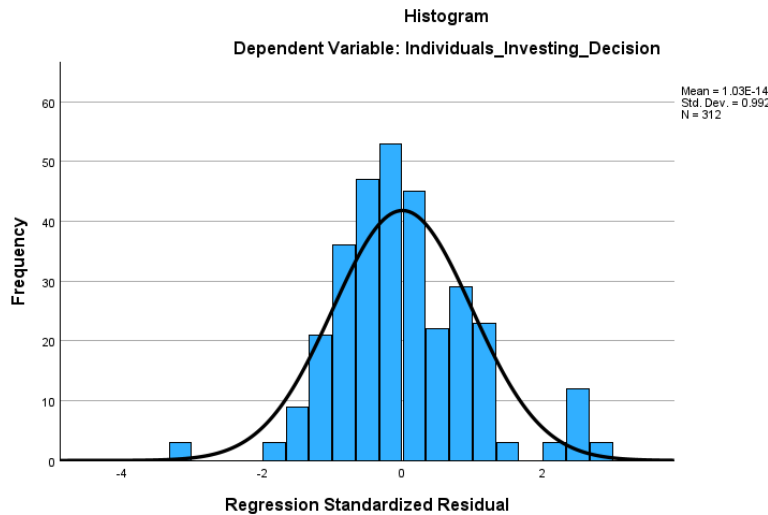
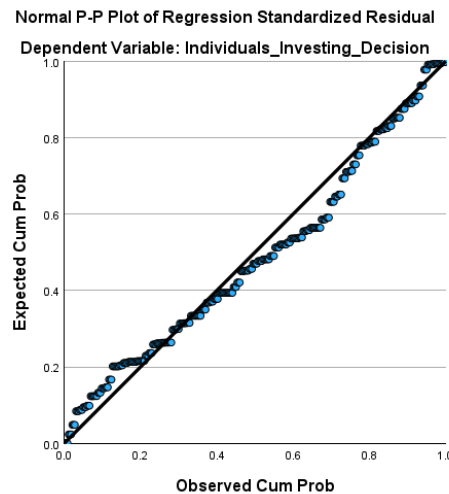


Fig 2: Regression Standardized Residual

The above graphic representation denotes that the data are symmetrically distributed around the mean.





*Fig 3: Linear Line Residual Plot*

From the above Normal P-P Plot of Regression Standardized Residual, it denotes that the points of probability plot are nearly plotted around the straight line which shows symmetrical in the data.

#### 4.7 Multiple Regression Analysis

Multiple regression analysis assists in examining the link between individuals' investing decision (DV) and five independent variables i.e., Security & Banking Regulations, Interest Rates, Herd Mentality, Political Instability, Company Financial Performance used for this research. It assists in analyzing the implications of independent variables on dependent variable (Hayes, 2023).

##### 4.7.1 Model Summary Table

*Table 11: Model Summary*

Model Summary <sup>b</sup>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.866 <sup>a</sup>	0.749	0.745	0.41203	0.749	182.802	5	306	0.000
a. Predictors: (Constant), Securities Banking Regulations, Interest Rates, Political Instability, Company's Financial Performance, Herd Mentality									
b. Dependent Variable: Individuals Investing Decision									

The score of R is 0.866 or 86.6% indicating the dependent and independent variables are substantially positively associated. An adjusted R-squared value of 0.749 denotes that the independent variables may account for around 74.9% of the possibility of error in the dependent variable. This score indicates that the model is capable of comprehending a crucial rate of the discrepancy in the dependent variable.

##### 4.7.2 ANOVA

An ANOVA (Analysis of Variance) test is an examination that inspects for mean discrepancy utilizing a variance to observe whether there is a statistically significant discrepancy among 2 or more featured clusters (Simkus, 2022).

Table 12: ANOVA Table

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	155.170	5	31.034	182.802	<.001 <sup>b</sup>
	Residual	51.949	306	0.170		
	Total	207.119	311			
a. Dependent Variable: Individuals Investing Decision						
b. Predictors: (Constant), Securities Banking Regulations, Interest Rates, Political Instability, Company's Financial Performance, Herd Mentality						

The above ANOVA table denotes the outcome of F-value i.e., 182.802 whereas the P-value is less than 0.001. The F-value shows that the regression framework as a whole is highly significant in describing the differences in the dependent variable whereas the low P-value which is less than 0.05 gives absolute indication to reject null hypothesis.

#### 4.7.3 Coefficients Table

The coefficient table shows the projected values for the independent variables and their influence on the dependent variable. The simple linear regression with five independent variables is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5$$

Where, Y = Dependent Variable (Individuals' Investing Decision)

a = Constant Value

X<sub>1</sub> = Independent Variable (Interest Rates)

X<sub>2</sub> = Independent Variable (Political Instability)

X<sub>3</sub> = Independent Variable (Herd Mentality)

X<sub>4</sub> = Independent Variable (Company's Financial Performance)

X<sub>5</sub> = Independent Variable (Security & Banking Regulations)

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>, b<sub>4</sub>, b<sub>5</sub> = B-Value (Coefficient or Slope)

Table 13: Coefficient Table

Coefficients <sup>a</sup>				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	0.309	0.121		2.557	0.011
	Interest Rates	0.358	0.045	0.371	7.906	<.001
	Political Instability	0.078	0.058	0.077	1.346	0.017
	Herd Mentality	0.275	0.071	0.279	3.870	<.001
	Company's Financial Performance	0.023	0.067	0.023	0.338	0.048
	Securities Banking Regulations	0.201	0.073	0.196	2.745	0.006
a. Dependent Variable: Individuals Investing Decision						

The implications of these independent variable on the dependent variable can be observed with the help of below given simple linear regression equation:

$$\text{Individual's Investing Decision} = 0.309 + 0.358 (\text{Interest Rates}) + 0.078 (\text{Political Instability}) + 0.275 (\text{Herd Mentality}) + 0.23 (\text{Company's Financial Performance}) + 0.201 (\text{Security \& Banking Regulations})$$

In conclusion, all independent variables have positive consequences on dependent variable.

#### 4.8 Hypothesis Testing and Results

The significance level, generally expressed as (alpha), dictates whether the null hypothesis is accepted or rejected. 0.05 and 0.01, for example, indicate a 5% or 1% likelihood of committing a Type I error (denying an authentic null hypothesis).

Table 14: Hypothesis Testing Table

Developed Hypothesis	Sig. (P-Value)	Impact	Status of Developed Hypothesis
<i>There is a significant relationship between psychological factors such as herd mentality and in making investment decisions by an individual.</i>	<0.001	Positive	Supported
<i>There is a significant relationship between macroeconomic factors such as interest rates and in</i>	<0.001	Positive	Supported

<i>making investment decisions by an individual.</i>			
<i>There is a significant relationship between an company's financial performance and in making investment decisions by an individual.</i>	0.048	Positive	Supported
<i>There is a significant relationship between regulatory factors such as securities and banking regulations and in making investment decisions by an individual.</i>	0.006	Positive	Supported
<i>There is a significant relationship between macroeconomic factors such as political instability and in making investment decisions by an individual</i>	0.017	Positive	Supported

From the above tests, enough evidence is found to support and prove the significant relationship between dependent variable (Individuals' Investing Decision) and independent variables (Interest Rates, Herd Mentality, Securities & Banking Regulations, Political Instability and Company Financial Performance).

## CHAPTER 5: SUMMARY, CONCLUSION, AND RECOMMENDATION

### 5.1 Summary of Findings

The reliability tests for each variable and question used in the study were above 0.8, which suggests that the questions were reliable. The dependent variable had a positive correlation, with all five independent variables showing a significant relationship between them. The normality tests of the Histogram and Normal PP regression plot indicated a normal distribution. The adjusted R-value of 74.5% of the discrepancy in the dependent variable is explained by independent variables. The P value of  $<.001^b$  in the ANOVA table is less than .05, showing the significant relationship between the dependent and independent variables.

### 5.2 Evaluation of Findings

***Question one: To what degree do interest rates impact investment decisions of an individual in Nepal's stock market?***

The first question assesses the level of influence that an interest rate can have on the investing choices of an individual in Nepal. The Pearson correlation coefficient of 0.791 indicates that the interest rates and the individuals' investing decision. A p-value of  $<.001$  denotes that the

relationship found is legally significant. The significantly small p-value supports the concept that the correlation is highly significant, implying that the variables are truly substantially connected.

***Question two: To what degree do political instability impact investment decisions of an individual in Nepal's stock market?***

The second question assesses the level of influence that political instability has on investing choices of an individual in Nepal. The Pearson correlation coefficient of 0.760 indicates that the political instability factor and the individuals' investing decision factor have a significant linear association. A p-value of 0.017 indicates that the relationship found is legally significant. The significantly small p-value supports the concept that the correlation is highly significant, implying that the variables are truly substantially connected.

***Question three: To what degree do psychological aspects i.e., herd mentality impact investment decisions of an individual in Nepal's stock market?***

The second question assesses whether there is significant relationship between herd mentality content and individuals' investing decision or not. The Pearson correlation coefficient of 0.811 shows that herd mentality factor has a significant and positive linear correlation with the dependent variable (individuals' investing decision) whereas the p-value of <.001 showing sufficient proof to disprove the null hypothesis and embrace the alternative hypothesis.

***Question four: What implications does a company's financial performance have in influencing investment decision of an individual in Nepal's stock market?***

The third question assesses whether there is significant relationship between company's financial performance and individuals' investing decision or not. The Pearson correlation coefficient of 0.756 indicates that the company's financial performance and individuals' investing decision factor have a comparatively strong favorable linear relationship. There is some proof that indicates that the relationship reported may be statistically significant, with a p-value of 0.048. While the p-value is slightly larger than intended, it still gives a little backing for the hypothesis that the variables are meaningfully connected.

***Question five: How do regulatory aspects i.e., securities and banking regulations, impact an individual's investment decision in Nepal's stock market?***

The fourth question assesses whether there is any significant relationship between security and banking regulations and individuals' investing decision. The Pearson correlation coefficient of

0.783 suggests that the securities and banking regulations factor and individuals' investing decision factor have a strong positive linear association. A p-value of 0.006, much below the traditional significance level, indicates that the observed association is highly significant. This implies that the correlation is most likely the consequence of an authentic connection between the company's financial performance variable and individuals' investing decision factor.

### **5.3 Implication of Study**

This research has the capability to improve the worth of financial counseling and generate more deliberate and effective investing experiences for individuals pursuing financial goals. The information acquired from studying the factors that influence investment choices set the path for a more sophisticated knowledge of market trends and the detection of predicted tendencies. This research could help lawmakers and legal authorities develop more practical strategies and strategies.

### **5.4 Conclusion**

The study considers five independent variables i.e., interest rates, political instability, herd mentality, company's financial performance and security & banking regulations. Based on these independent factors, hypothesis of this research study was generated and they all found to be highly significant with the individuals' investing decision. As per the coefficient table, political instability and company's financial performance may have very weak influencing power to influence investing decision of an individual. Therefore, knowledge regarding importance of other variables should be provided to scholars and investors.

### **5.5 Recommendations**

- Colleges and institutions should create new courses regarding investment in stock market which is practical.
- Students and scholars should be motivated to conduct research study regarding stock market.
- Strict actions should be taken against those experts who are taking advantage of new investors by giving suggestions for his own benefit.
- Government and policymakers should formulate policies regarding stock market only after conducting various research and surveys of stock market.

### **5.6 Future Research Recommendations**

- The survey data was collected from Kathmandu Valley only. So, survey should be done in other areas of Nepal to know the actual situation in all areas of Nepal
- Only 312 sample data have been examined to finalize this research study. It is recommended to use more sample data to be more precise of the outcome.
- Data utilized for this paper is more of a quantitative data. It is recommended to use qualitative data in future research.
- There are many independent variables that influence investing decision of an individual. It is recommended to examine the impacts of other variable in future research.

---

**REFERENCES**

- Amirrudin, M., Nasution, K., & Supahar, S. (2021). Effect of variability on Cronbach alpha reliability in research practice. *Jurnal Matematika, Statistika dan Komputasi*, 17(2), 223-230.
- Baber, G. (2013). A critical examination of the legislative response in banking and financial regulation to issues related to misconduct in the context of the crisis of 2007-2009. *Journal of Financial Crime*, 20(2), 237–252. <https://doi.org/10.1108/13590791311322391>
- Bonga, W. G. (2015). The need for efficient investment: Fundamental Analysis and technical analysis. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2593315>
- Cacciattolo, M. (2015). Ethical considerations in research. In *The Praxis of English Language Teaching and Learning (PELT)* (pp. 55-73). Brill.
- Chalise, D. R. (2020). Secondary capital market of Nepal: assessing the relationship between share transaction and NEPSE index. *Management Dynamics*, 23(2), 53-62.
- Curtis, G. (2004). Modern portfolio theory and behavioral finance. *The Journal of Wealth Management*, 7(2), 16-22.
- factors”, *Managerial Finance*, Vol. 46 No. 8, pp. 1023-1041.
- Hussain, J. (2020). Processing of Data, Editing, Coding, & Classification.
- Ibrahim, M. (2015). The art of data analysis. *Journal of Allied Health Sciences Pakistan*, 1(1), 98-104.
- Igwenagu, C. (2016). *Fundamentals of research methodology and data collection*. LAP Lambert Academic Publishing.
- Simkus, J. (2022, November 3). ANOVA Test Statistics: Analysis of Variance. <https://www.simplypsychology.org/anova.html>
- Iovino, F., & Tsitsianis, N. (2020). The methodology of the research. In *Changes in European energy markets* (pp. 79-95). Emerald Publishing Limited.
- Khawaja, M. J., & Alharbi, Z. N. (2021). Factors influencing investor behavior: an empirical study of Saudi Stock Market. *International Journal of Social Economics*.
- Mexmonov, S. (2020). World Experience of Stock Exchange Operations. *Scientific Research Archive* , 33 (1).



- Naveed, M., Ali, S., Iqbal, K. and Sohail, M.K. (2020), “Role of financial and non-financial information in determining individual investor investment decision: a signaling perspective”, *South Asian Journal of Business Studies*, Vol. 9 No. 2.
- Pawar, N. (2020). Type of research and type research design. *Social Research Methodology*, 46-57.
- Petram, L. (2014). *The World’s First Stock Exchange*. New York Chichester, West Sussex: Columbia University Press. <https://doi.org/10.7312/petr16378>
- Prosad, J. M., Kapoor, S., & Sengupta, J. (2015). Behavioral biases of Indian investors: a survey of Delhi-NCR region. *Qualitative research in financial markets*.
- Prosad, J. M., Kapoor, S., & Sengupta, J. (2015). Theory of behavioral finance. In *Handbook of research on behavioral finance and investment strategies: decision making in the financial industry* (pp. 1-24). IGI Global.
- Rahman, M. and Gan, S.S. (2020), “Generation Y investment decision: an analysis using behavioural
- Sachdeva, M., Lehal, R., & Gupta, S. (2022). Influence of contextual factors on investment decision-making: a fuzzy-AHP approach. *Journal of Asia Business Studies*, 17(1), 108–128. <https://doi.org/10.1108/jabs-09-2021-0376>
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Pearson education.
- Sayyadi Tooranloo, H., Azizi, P., & Sayyahpoor, A. (2019). Analyzing causal relationships of effective factors on the decision making of individual investors to purchase shares. *International Journal of Ethics and Systems*, 36(1), 12–41. <https://doi.org/10.1108/ijoes-03-2019-0053>
- Taherdoost, H. (2016). Sampling methods in research methodology; how to choose a sampling technique for research. *How to choose a sampling technique for research (April 10, 2016)*.
- Yadav, S. (2017). Stock market volatility—a study of Indian stock market. *Global Journal for Research Analysis*, 6(4), 629-632.