# The Impact of Behavioral Biases on Investment Decisions among Nepalese Investors

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## Abstract

This study examines the impact of behavioral biases on investment decisions among Nepalese investors. Despite growing stock market participation, there is limited research on the investment characteristics and biases predominant in Nepal. The study aims to assess these characteristics, analyze behavioral biases, and evaluate their influence on investment decisions. This study was used a descriptive and causal research design to analyze the impact of behavioral biases on investment decisions. The total population of the study was unknown. Therefore, a sample size of 120 individual investors was chosen using the convenience sampling techniques from retail investors through questionnaires. The questionnaires were collected both online and offline. The study was analyzed using descriptive statistics and inferential statistics to evaluate the data. The study discloses a balanced gender and highly educated respondents. The results of this study are significantly positive relationship between behavioral biases and investment decisions. The study on Nepalese investors discloses a mature, knowledgeable population with diverse investment strategies influenced by behavioral biases. The implication of the study's that increasing awareness of behavioral biases can enhance investment decision and more effective financial education and advisory practices.

Future research could be focused with mediating and moderating variables measures relationships behavioral biases and investment decision making.

## Introduction

Investing in financial markets is inherently influenced by a numerous of factors, ranging from economic indicators to market sentiment. However, one often aspect is the role of human psychology in investment decision-making. Behavioral biases from cognitive and emotional factors, can significantly impact investors' decision. Nepalese investors disclose diverse investment characteristics influenced by cultural, socio-economic, and educational backgrounds. These characteristics are vital for contextualizing the consequent analysis of behavioral biases in their investment decisions. Poudel et al. (2024) examined overconfidence, disposition effect and risk aversion positively influence investment decisions while herding does not have a significant impact. Furthermore, financial literacy was found to moderate these behavioral biases. As a result, the higher levels of financial literacy can reduce their influence on investment decision. Behavioral finance, a branch of finance that integrates insights from psychology into traditional financial theory, emphasizes the role of cognitive biases in investor behavior. Some investors may arrange stability and long-term wealth accumulation, others may seek high-risk, high-return opportunities. However, the effect of risk perception, risk tolerance, overconfidence, and loss aversion on investment decision (Ainia & Lutfi, 2019). Loss aversion, self-control, endowment effect, optimism bias, regret aversion, and status quo bias are among the prominent biases affecting investment decisions. The Nepal Stock Exchange (NEPSE), established in 1993, serves as the primary platform for trading securities in Nepal. Over the years, Nepalese investors have shown increasing interest in participating in the financial markets, seeking avenues for wealth creation and portfolio diversification. Moreover, the studies claimed that overconfidence, anchoring and regret aversion significantly influence investment decisions. However, the study found that representative bias had effect on investment decisions and herding behavior did not show a significant relationship with investment decisions (Gurung et al., 2024). Despite the growing interest in stock market participation and the availability of investment opportunities, there is a few of comprehensive research on the investment characteristics and behavioral biases among Nepalese investors. This knowledge gap poses a significant research issue as it hinders the development of targeted interventions and strategies to mitigate the adverse effects of behavioral biases on investment decisions. What are the investment characteristics of Nepalese Investors'? Which groups of people are more susceptible to behavioral biases? Is there any impact of different behavioral biases on investment decisions? The main purposes of the study have been to investigate the

impact of behavioral biases on investment decisions of Nepalese investors. The rationale of this study lies to know the interaction between individual investor behavior and investment decisions in Nepalese financial market. This study seeks to fill a significant gap in the existing literature and contribute to the broader understanding of behavioral finance in emerging market contexts. Behavioral finance theories suggest that deviations from rational decision-making can lead to market inefficiencies and mispricing of assets. In the Nepalese context, Rawat (2023) claimed that herding behavior is the significant influencing investor sentiment. Moreover, in the absence of any moderating variables all the studied factors market dynamics, herding behavior, and awareness have a considerable impact on investors decision making in the Nepal stock exchange. Dhakal & Lamsal (2023) claimed that overconfidence, herding, representativeness, anchoring, loss aversion, and confirmation biases on their decision making. Representativeness bias was found to have the impact on investment decisions followed by herding and anchoring biases. The study emphasized the potential negative consequences of cognitive biases on investment decisions.

Theoretical frameworks in behavioral finance provide valuable perceptions into the psychological and cognitive factors influencing investment decisions. Raut et.al (2018) claimed that individual investors are significantly influenced by herding, information Cascades, anchoring, representativeness and overconfidence while contagion shows the insignificant. However, there is strong evidence of investors irrationality and inefficiency of the financial market. Rehmat et .al (2023) examined that to determine the impact of behavioral biases on individuals' investment decisions. However, researchers found that the significantly influences the relationship between behavioral biases and investment decisions in which moderator by financial literacy. Similarly, the mediation influence of risk perception is found significant. The major theories of behavioral finance are prospect theory, mental accounting, and bounded rationality. Kahneman and Tversky (1979) examined the field of behavioral finance by interesting the traditional rational choice model. However, the theory exposed that individuals assess potential results relative to a reference point, typically their current wealth or a perceived status quo (Tversky & Kahneman, 1974). Furthermore, prospect theory suggests that individuals are risk-averse when facing gains but risk-seeking when facing losses, a phenomenon known as loss aversion. In the context of Nepalese investors, prospect theory offers valuable insights into how individuals perceive and respond to investment gains and losses influential their risk preferences and decision-making. According to mental accounting theory, individuals tend to compart-mentalize their financial resources into separate mental accounts based on factors (Barberis & Thaler, 2003). For instance, the Nepal Stock Exchange has a significant role in investment decision by providing a platform for trading securities and mobilizing capital for businesses. In the context of investment, behavioral biases can overconfidence, loss aversion, herd mentality, loss aversion and anchoring (Shleifer & Vishny,

1997). These biases often from psychological heuristics and biases that affect how investors perceive, evaluate, and respond to investment opportunities and risks (Hirshleifer & Shumway, 2003).  Kahneman and Tversky in prospect theory, loss aversion suggests that individuals tend to feel the pain of losses more than the pleasure of equivalent gains (Fama, 1970). This bias can lead to a phenomenon known as the disposition effect, where investors hold onto losing investments opportunities and increased portfolio risk (De Bondt & Thaler, 1985). However, overconfidence can lead investors to trade excessively, overestimate their ability to beat the market, and underestimate risks. Herding behavior is another behavioral bias that can significantly impact investment decisions. This bias refers to the tendency of individuals to follow the actions of the crowd, rather than making independent decisions based on rational analysis (Loewenstein & Lerner, 2003).  Anchoring occurs when individuals rely heavily on initial information when making subsequent decisions (Hirshleifer, 2001). Confirmation bias is another common bias that affects investment decisions. Confirmation bias refers to the tendency of individuals to seek out information that confirms their existing beliefs or hypotheses, while ignoring information that contradicts them (Shiller, 2003).  The behavioral biases play a significant role in investment decisions and their implications for individual investors and financial markets (Shefrin & Statman, 1985).  Moreover, higher levels of education are often associated with greater financial literacy, risk awareness, and investment knowledge. Conversely, investors with lower levels of education may rely more on informal sources of information, such as friends, family, or local brokers, and may show different risk preferences and investment strategies. Chhetri (2022) examined the influence on the decision-making behavior of individual stock investors by accounting and stock market information. The study found a significant difference in the effect of public and economic information between male and female investors but no significant differences were observed among various age groups.

Biases such as anchoring and recency bias may cause investors to possess on past prices or recent market trends when making investment decisions, rather than conducting thorough analysis based on fundamental factors (Barberis & Thaler, 2003). This can result in investors buying assets at inflated prices during market bubbles or selling assets at undervalued prices during market downturns, thereby eroding portfolio returns and exacerbating losses (Shefrin & Statman, 1985). Moreover, behavioral biases can influence risk management strategies and asset allocation decisions. Loss aversion may cause investors to capital preservation over maximizing returns, leading to extremely conservative investment allocations (Shiller, 2003). Conversely, overconfidence may lead investors to underestimate risks and allocate disproportionately to high-risk assets, exposing their portfolios to unnecessary volatility and potential losses.

Daniel Kahneman and Amos Tversky (1979), the field of behavioral economics by providing a framework for understanding how individuals make decisions under risk and uncertainty. The role of psychological factors and cognitive biases in investment decision (Tversky & Kahneman, 1974).  According to the theory, individuals are risk-averse when facing gains and risk-seeking when facing losses. This asymmetry in risk preferences is captured by the value function, which is concave for gains and convex for losses (Shleifer & Vishny, 1997). For instance, the study on the impact of behavioral biases on investment decisions of Nepalese investors, Prospect Theory provides a comprehensive framework for understanding how individuals perceive and evaluate investment risks and rewards.  Cognitive biases, such as anchoring, availability heuristic, and confirmation bias, result from individuals' reliance on heuristics and cognitive shortcuts to process information and make decisions. Regret aversion bias leads individuals to avoid making decisions that may result in feelings of regret. Moreover, regret theory suggests that individuals' sensitivity to regret varies depending on the perceived controllability and responsibility for decision outcomes (Shefrin & Statman, 1985). The existing body of research shows limited the impact of behavioral biases on investment decisions in Nepal. The effect of cognitive and emotional biases, there is a lack of comprehensive examination integrating various biases loss aversion bias, self-control bias, endowment effect. In addition to, most studies have primarily focused on cognitive and emotional biases without giving equal attention to biases such as self-control and endowment, which are important in the context of individual investor behavior. The hypotheses of the study are as follow;

$H_1$:  There is positive significant impact of loss aversion biases on investment decision.

$H_2$:   Positive significant influence of self-control bias on investment decision.

$H_3$:   Positive significant effect of endowment bias on investment decision.

$H_4$:  There is statistically positive significant effect of optimism bias on investment decision.

$H_5$:  Positively effect of regret aversion bias on investment decision.

$H_6$:  There is positively significant effect of status quo bias on investment decision.
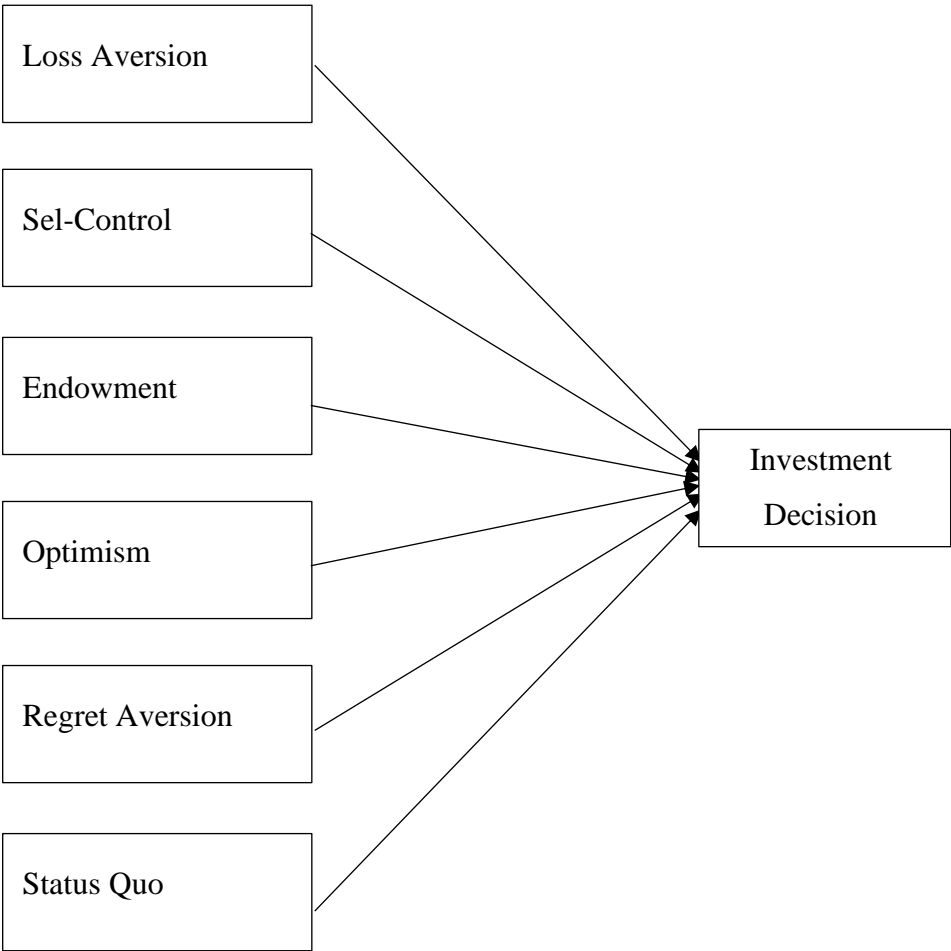
**Model-I**

$ID = \beta0 + \beta_1 LAB + \beta_2 SCB + \beta_3 EB + \beta_4 OB + \beta_5 RAB + \beta_6 SQB + e_i$

Where ,

| | | |
|---|---|---|
| $\beta$ | = | Constant term |
| ID | = | Investment Decisions |
| LAB | = | Loss Aversion Bias |
| SCB | = | Self-Control Bias |
| EB | = | Endowment Bias |
| OB | = | Optimism Bias |
| RAB | = | Regret Aversion Bias |
| SQB | = | Status Quo Bias |
| ei | = | Error Term |

**Figure 1**

*Research Framework*

## Research Materials and Methods

A descriptive and causal research design has been employed in this study to examine the impact of behavioral biases on the investment decisions of Nepalese investors. This approach allows for both the detailed characterization of investor behaviors and the determination of causal relationships between specific biases and investment decisions. The study involved questionnaire survey among individual investors who traded different securities on the Nepal Stock Exchange. The population of the study was unknown in trading exchange. Therefore, a sample of 120 individual investors was chosen and primary data was collected using questionnaire with closed-ended questions. The respondents were selected using the convenience sampling method from retail investors who were active in trading different financial securities. The selected individuals were requested to fill out the questionnaire. The questionnaire was collected using both online and offline modes. The instrument used for the collection of data in this study was a questionnaire by 5-point Likert scale which ranges from 1 to 5. The 1 indicates 'Strongly Disagree',2 means 'Disagree', 3 indicates 'Neither agree nor disagree', 4 indicates 'Agree' and 5 indicates 'Strongly agree'. The questionnaire incorporated two sections, with the first section inquiring about the respondents' profile, while the second part consists of questions regarding behavioral biases and investment decisions. The data was coded to enable the responses to be grouped into various categories. Further parts of the questionnaire were analyzed using descriptive and inferential statistics; for instance, correlation matrix, and regression analysis by using SPSS version 26.

## Results and Discussion

This section provides a detailed account of the statistical findings, including descriptive statistics, correlation analyses and regression models. It shows the relationships between the dependent variable, investment decisions (ID), and the independent variables: loss aversion bias (LAB), self-control bias (SCB), endowment bias (EB), optimism bias (OB), regret aversion bias (RAB), and status quo bias (SQB). The profile of respondents includes key characteristics such as age, gender, marital status, education, occupation, and investment experience, providing an overview of the individual investors trading on NEPSE.

**Table 1**

*Profile of Respondents*

*(N=120)*

| Variables | Attributes | Frequency | Percentage |
|---|---|---|---|
| Gender | Male | 64 | 53.33 |
| | Female | 56 | 46.67 |
| | Total | 120 | 100.00 |
| Age | 16- 25 | 3 | 2.50 |
| | 26- 35 | 23 | 19.17 |
| | 36- 45 | 35 | 29.17 |
| | 46- 55 | 28 | 23.33 |
| | Above 55 | 31 | 25.83 |
| | Total | 120 | 100.00 |
| Marital Status | Single | 23 | 19.17 |
| | Married | 97 | 80.83 |
| | Total | 120 | 100.00 |
| Education | Primary level and below | 0 | - |
| | S.L.C/SEE | 3 | 2.50 |
| | Intermediate /+2 | 39 | 32.50 |
| | Bachelors | 40 | 33.33 |
| | Masters and above | 38 | 31.67 |
| | Total | 120 | 100.00 |
| Occupation | Student | 2 | 1.67 |
| | Government employee | 38 | 31.67 |
| | Non- government employee | 35 | 29.17 |
| | Self- Employed | 40 | 33.33 |
| | Housewife | 0 | - |
| | Retired Employee | 5 | 4.17 |
| | Total | 120 | 100.00 |
| Years of Experience | 0-1 Years | 13 | 10.83 |
| | 2-5 Years | 30 | 25.00 |
| | 6-10 Years | 38 | 31.67 |
| | Above 10 Years | 39 | 32.50 |
| | Total | 120 | 100.00 |

*Note.* Field Survey, 2024

Table 1 illustrates profile of the respondents in the study and variables such as gender, age, marital status, education, occupation, and years of experience. The gender distribution of the respondents shows a near balance between male and female participants. Out of the total 120 respondents, 64 were male, representing 53.33 percent of the sample, while 56 were female, accounting for 46.67 percent.  The age distribution of the respondents is diverse, spanning multiple age groups. The smallest representation comes from the youngest age group (16-25 years) with only 3 respondents. The next age group (26-35 years) includes 23 respondents. The age group 36-45 years is more substantial, with 35 respondents. Similarly, the 46-55 years age group has 28 respondents and the oldest age group (above 55 years) includes 31 respondents. This distribution indicates that the majority of respondents are middle-aged or older, with a significant proportion of the sample aged 36 and above. The marital status of the respondents shows a clear predominance of married individuals. This suggests that the majority of the respondents are in a marital relationship, which may influence their perspectives and experiences differently compared to their single counterparts. No respondents fall into the Primary level and below category. Only 3 respondents have an education up to the S.L.C. level/SEE. The intermediate/+2 level is more populated with 39 respondents. The highest number of respondents with 40 hold a bachelor's degree. Finally, 38 respondents have attained a master's degree or higher 31.67 percent of the sample. This indicates a highly educated respondent with the majority having at least an intermediate/+2 level of education, and a significant proportion possessing undergraduate and postgraduate degrees. The occupational distribution of the respondents covers the smallest group is students with only 2 respondents. Government employees from a significant portion with 38 respondents. Nongovernment employees account for 35 respondents. The self-employed category is the largest with 40 respondents. There are no respondents who are housewives. Retired employees constitute 5 respondents. This occupational diversity suggests that the study includes individual from various professional background with emphasis on self-employed and government-employed individual. The experience levels of the respondents also vary who are still in experience with 5.00 percent of the sample. Government employees make up 30 respondents a significant portion of experienced public sector workers. Non-government employees are the most numerous, with 38 respondents. The self-employed closely follow with 32.50 percent. This data suggests that most respondents are experienced professionals, particularly in non-government and self-employment sectors.

The near-equal representation of males and females ensures that the study captures perspectives from both genders highlighting any gender-based differences in investment behaviors. The broad age distribution has the significant representation of individuals aged 36 and above, suggests that the study benefits from the insights of experience. The under representation of younger age groups 16-25 years indicates that the findings may be less

influenced by younger, less experienced investors. With 80.83 percent of respondents being married, the study may reflect the financial priorities and investment decisions typical of married individuals, who may have different financial goals and risk tolerance compared to single individuals. The high level of education among respondents with 97.50 percent having at least an intermediate level of education and 65.00 percent holding a Bachelor's degree or higher, implies that the respondents are likely to be well-informed about financial matters. This high educational attainment could influence their understanding and expectations regarding dividend policies and share prices. The diverse occupational backgrounds, especially the significant representation of government employees of31.67 percent and self-employed individuals of 33.33 percent, suggest that the study captures a wide range of professional perspectives. The absence of housewives and the low number of students 1.67 percent may limit insights into the investment behaviors of these groups. The varied experience levels, particularly the substantial proportions of government employees of 25.00 percent, non-government employees of 31.67 percent, and self-employed individuals' 32.50 percent, indicate that the respondents bring a wealth of practical experience to their views on dividend policies and share prices. The relatively low number of students 5.00 percent and retired employee's 5.83 percent suggests that the findings are primarily driven by currently active professionals.

The relationship between the research variables in this study explores how various behavioral biases—loss aversion, self-control, endowment, optimism, regret aversion, and status quo—affect investment decisions among Nepalese investors. The study reflects behavioral biases influence the investment decision in the Nepalese stock market.

**Table 2**

*Relationship Between the Behavioral Biases and Investment Decision*

| Variables | LAB | SCB | EB | OB | RAB | SQB | ID |
|---|---|---|---|---|---|---|---|
| LAB | 1 | | | | | | |
| SCB | 0.697* | 1 | | | | | |
| EB | 0.646* | 0.385* | 1 | | | | |
| OB | 0.896* | 0.321* | 0.916* | 1 | | | |
| RAB | 0.261* | 0.868* | 0.114* | 0.157* | 1 | | |
| SQB | 0.611* | 0.596* | 0.329* | 0.321* | 0.402* | 1 | |

| Variables | LAB | SCB | EB | OB | RAB | SQB | ID |
|---|---|---|---|---|---|---|---|
| ID | 0.894* | 0.839** | 0.724* | 0.760** | 0.820** | 0.954* | 1 |

*\* Correlation is significant at the 0.01 level*
*\*\* Correlation is significant at the 0.05 level*

Table 2 illustrates the correlations between the behavioral biases such as loss aversion bias (LAB), self-control bias (SCB), endowment bias (EB), optimism bias (OB), regret aversion bias (RAB), and status quo bias (SQB) and investment decision (ID). This analysis illustrates that the relationship between the investment decisions and behavioral biases. The correlations coefficient between ID and LAB is 0.894, which measures strong positive relationship. This suggests that loss aversion bias (LAB) is highly influential in investment decisions. With a correlation coefficient of 0.839, there is a strong positive relationship between self-control bias (SCB) and investment decisions. This implies that better self-control is associated with investment decisions. The correlation coefficient is 0.724 which means that there is a positive relationship between investment decision and EB. This means that endowment bias (EB) significantly influences investment decisions, with a tendency to overvalue owned investments affecting decisions. The correlation coefficient is 0.760, showing a strong positive relationship. Optimism bias (OB) significantly affects investment decisions, suggesting that optimistic expectations can lead to more aggressive investment strategies. With a correlation coefficient of 0.820, regret aversion bias (RAB) has a strong positive relationship with investment decisions. This implies that the fear of future regret strongly influences current investment decision. The correlation coefficient is 0.954 which measures a very strong positive relationship between SQB and investment decision. Status quo bias (SQB) has impact on investment decisions, highlighting a preference for maintaining existing investments.

The correlation is 0.697, indicating a strong positive relationship. This suggests that individuals with high loss aversion also tend to exhibit strong self-control. With a correlation of 0.646, there is a strong positive relationship. This means that those who are loss-averse also tend to overvalue their existing investments. With correlation coefficient between LAB and OB is 0.896, showing a very strong positive relationship. Optimism and loss aversion appear to go hand-in-hand, suggesting that optimistic individuals also have a heightened sensitivity to potential losses. The correlation between LAB and RAB is 0.261, indicating a weak positive relationship. Although present, this relationship is less pronounced, suggesting that regret aversion is not as closely linked to loss aversion as other biases. The correlation between LAB and SQB is 0.611, showing a strong positive relationship. This indicates that loss-averse individuals also tend to prefer maintaining their current investment strategies. The correlation coefficient is 0.385, indicating a moderate positive relationship. This suggests that self-control

bias is moderately linked to the tendency to overvalue owned investments. With a correlation of 0.321, there is a moderate positive relationship. Optimism bias is somewhat associated with better self-control in investment contexts. The correlation is 0.868, showing a very strong positive relationship. This implies that individuals who exhibit strong self-control also have a high aversion to potential regret. The correlation is 0.596, indicating a strong positive relationship. Those with high self -control are likely to prefer maintaining their current investment portfolios.

The correlation coefficient is 0.916, indicating a very strong positive relationship. This means that those who overvalue their own investments also tend to be highly optimistic about their investment prospects. With a correlation of 0.114, there is a very weak positive relationship. This suggests that regret aversion is minimally related to endowment bias. The correlation is 0.329, indicating a moderate positive relationship. This implies that individuals who exhibit endowment bias are somewhat inclined to maintain their current investment holdings. The correlation coefficient is 0.157, showing a weak positive relationship. This suggests that optimism has a minimal effect on regret aversion. With a correlation of 0.321, there is a moderate positive relationship. Optimistic investors are somewhat likely to prefer the status quo in their investment strategies. The correlation coefficient is 0.402, indicating a moderate positive relationship similar finding of Gurung et. al (2024).

The impact of behavioral biases on investment decisions is a critical area of investigation in this study, as it seeks to understand how psychological factors determine the financial behavior of investors. Each behavioral bias—loss aversion, self-control, endowment, optimism, regret aversion, and status quo—affects investment decision. The study aims to provide understanding of how they together and individually influence investment decisions in the Nepal Stock Exchange.

**Table 3**

*Impact of Behavioral Biases on Investment Decisions*

| Variables | Coefficients | Standard Error | t Stat | P-value | VIF | Hypotheses |
|---|---|---|---|---|---|---|
| Intercept | 1.291 | 0.212 | 6.100 | ------- | ------ | ------- |
| LAB | 0.049 | 0.059 | 0.833 | 0.041 | 3.251 | Supported |
| SCB | - 0.091 | 0.050 | 1.820 | 0.007 | 2.159 | Not supported |
| EB | - 0.057 | 0.047 | 1.221 | 0.022 | 2.205 | Not Supported |
| OB | 0.017 | 0.041 | 0.430 | 0.067 | 1.672 | Supported |
| RAB | 0.044 | 0.049 | 0.891 | 0.037 | 1.199 | Supported |

| Variables | Coefficients | Standard Error | t Stat | P-value | VIF | Hypotheses |
|-----------|--------------|----------------|--------|---------|-----|------------|
| SQB | 0.726 | 0.054 | 13.331 | 0.000 | 1.938 | Supported |

*Multiple R = 0.861, R Square = 0.742, Adjusted R Square = 0.728, F (6, 113) = 54.123, and p < 0.05*

Table 3 illustrates the coefficients, standard errors, t-statistics, and p-values for various behavioral biases loss aversion bias, self-control bias, endowment bias, optimism bias, regret aversion bias, and status quo bias influencing on investment decisions. The intercept coefficient of 1.291 represents the expected value of investment decisions when all behavioral biases are zero. The coefficient of 0.049 indicates that for every one-unit increase in loss aversion bias, there is a 0.049 unit increase in investment decisions. The coefficient of -0.091 one-unit increases in self-control bias, there is a decrease of 0.091 units in investment decisions. This negative coefficient implies that higher self-control is associated with lower investment decisions. With a coefficient of -0.057, one unit increase in endowment bias leads to a decrease of 0.057 unit in investment decisions. EB has a negative impact on investment decisions. The coefficient of 0.017 indicates that for every one-unit increase in optimism bias, there is a 0.017 unit increase in investment decisions. This positive coefficient examined optimism bias has positive impact on investment decisions. With a coefficient of 0.044, every one-unit increase in regret aversion bias leads to a 0.044 unit increase in investment decisions. This implies a positive impact although smaller compared to LAB. The coefficient of 0.726 suggests that for every one-unit increase in status quo bias, there is a substantial increase of 0.726 units in investment decisions. This indicates a strong positive impact of SQB on investment decisions. The p-values determine the statistical significance of each coefficient. The coefficient is significant ($p = .041$), indicating that loss aversion bias has a statistically significant but relatively small positive impact on investment decisions. SCB and EB both biases have significant coefficients ($p = .007$ and $p = .022$), suggesting that higher levels of self-control and endowment bias negatively influence investment decisions. The coefficient for optimism bias is positive, the p-value ($p = .067$). The RAB bias has a significant coefficient ($p = .037$), implying that regret aversion bias has a small but statistically significant positive impact on investment decisions. With a highly significant coefficient ($p = .000$), status quo bias has impact on investment decisions.

Multiple $R$, $R^2$, and adjusted $R^2$ measures the overall goodness of fit of the regression model. The multiple R of 0.861 measures a strong relationship between the behavioral biases and investment decisions. The $R^2 = 0.742$ indicates that 74.2 percent of the variance in investment decisions is explained by the behavioral biases. The adjusted $R^2$ of 0.728 adjusts for the number of predictors in the model of estimate of the goodness of fit. The F-statistic ($F =$

*54.123*) tests the overall significance of the regression model with p value. 0001. The Variance Inflation Factor (VIF) values provide the degree of multicollinearity among the behavioral biases in the regression model. A VIF value greater than 10 is often considered indicative of significant multicollinearity. The VIF lies below 5. Thus, multicollinearity does not presence in this model.

The positive coefficient of 0.049 suggests that an increase in loss aversion bias (LAB) leads to a slight increase in investment decisions. The p-value of 0.041 indicates that this result is statistically significant at the 5 percent level. Therefore, H1 is supported. The coefficient for self-control bias (SCB) is -0.091shows a negative relationship with investment decisions. The p-value of 0.007 shows that negative impact is statistically significant. Thus, H2 is not supported. The coefficient for endowment bias (EB) is -0.057 measures a negative effect on investment decisions. The p-value of 0.022 indicates statistical significance at the 5 percent level. This result does not support H3. The coefficient for optimism bias (OB) is 0.017 measures positive effect on investment decisions. Therefore, H4 is supported. The coefficient for regret aversion bias (RAB) is 0.044, suggesting a positive impact on investment decisions. The p-value of 0.037 indicates that this relationship is statistically significant. As a result, H5 is supported. The coefficient for status quo bias (SQB) is 0.726 measures a strong positive effect on investment decisions. The p-value of 0.000 suggests that this result is highly statistically significant. Thus, H6 is strongly supported.

The demographic analysis of respondents reveals a well-balanced gender distribution, with 53.33 percent male and 46.67 percent female participants, reflecting a near-equal representation. The age distribution indicates a predominance of middle-aged and older individuals, with the largest groups being 36–45 years (29.17 percent) and above 55 years (25.83 percent), suggesting the study captures perspectives from more experienced and financially knowledgeable respondents. This result contrast with the study of Chhetri (2022). A significant majority of respondents are married (80.83 percent), indicating that the study's findings heavily reflect the financial priorities and investment decisions typical of married individuals. The educational background is notably high, with no respondents in the "primary level and below" category, and a significant portion holding at least a bachelor's degree (33.33 percent) or a master's degree (31.67 percent). This high level of education suggests that respondents are likely well-informed about financial matters, which could impact their investment behaviors and perceptions of dividend policies.

The study examines relationship between behavioral biases and their impact on investment decisions made by Nepalese investors. Investment decisions (ID) show a positive correlation with loss aversion bias (LAB) at 0.894, indicating that investors' sensitivity to potential losses is a factor in their investment decision. Self-control bias (SCB) shows a strong positive correlation with ID at 0.839 measures that higher levels of self-control contribute to

investment decisions. Similarly, endowment bias (EB) has a positive correlation with ID at 0.724 measures that the overvaluation of owned assets significantly affects investment behavior. Optimism bias (OB), with a correlation coefficient of 0.760, demonstrates that overly optimistic expectations can lead to more aggressive investment strategies. Regret aversion bias (RAB) has a strong positive correlation of 0.820 with ID, highlighting that the fear of future regret plays a role in investment decision with similar result of Poudel et al. (2024) but financial literacy as moderating variable can reduce their influence on investment decision. Lastly, status quo bias (SQB) shows a very strong positive correlation with ID at 0.954, indicating a prevalent preference for maintaining existing investment strategies over exploring new opportunities. Regression analysis examined the impact of these biases. The coefficient for loss aversion bias is 0.049 which measures a small but statistically significant positive impact on investment decisions. Self-control bias has a negative coefficient of -0.091 represents that higher self-control correlates with reduced investment decisions. Endowment bias has a negative impact with a coefficient of -0.057 which measures that overvalued owned investments can decrease overall investment activity. The optimism bias coefficient is 0.017 represents a modest positive effect. Regret aversion bias has a coefficient of 0.044 measures a small but significant positive impact on investment decisions. A multiple R of 0.861, an R square of 0.742, and an adjusted R square of 0.728 support the model's robustness represents that these biases explain 74.2 percent of the variance on investment decisions. An ANOVA F-statistic of 54.123 confirmed the overall significance of the model. This result was consistent with (Dhakal & Lamsal ,2023) which also found that the Nepalese investors' decisions are strongly influenced by behavioral biases, with loss aversion, status quo, and self-control biases explaining the variance on investment decisions.

**Conclusion**

This study examined the significant role of behavioral biases on investment decisions among Nepalese investors within the context of an evolving financial landscape. Despite the increasing participation in the stock market and the diverse investment opportunities.  The primary of objective this study is to investigate the impact of various behavioral biases on investment decisions. The study reveal that behavioral biases significantly impact on investment decisions. Correlation and regression analysis shows that biases like loss aversion, self-control, endowment, optimism, regret aversion, and status quo strongly influence investment decisions. The demographic measures a well-balanced gender distribution, with male majority, and a significant of middle-aged and older individuals. This suggests a mature investor population likely to possess financial experience and knowledge. The majority of married investors measures that the findings reflect the financial priorities and decisions of married individuals. Moreover, the high educational background of respondents was a well-

informed in financial decision. Overall, demographic characteristics of Nepalese investors were mature, knowledgeable, and likely to emphasize long-term financial planning and stability.

Behavioral biases significantly influence investment decisions, with loss aversion bias driving conservative behaviors, and endowment bias leading to emotional attachment to investments. The analysis unveils strong correlations between behavioral biases and investment decisions among Nepalese investors. Loss aversion bias, self-control bias, endowment bias, optimism bias, regret aversion bias, and status quo bias all exhibit significant relationships with investment decision. Further, regression analysis confirmed the impact of these biases and with status quo bias shows more influence. Understanding behavioral biases like loss aversion and status quo can empower investors to make more investment decisions. The implication of the study's that increasing awareness of behavioral biases can enhance investment decision and more effective financial education and advisory practices Future research could be focused with mediating and moderating variables measures relationships behavioral biases and investment decision making.

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