

# Factors Influencing Investment Decisions of Nepalese Investors

Purna Man Shrestha \*

## Abstract

*The study focuses on the factors influencing investment decisions of Nepalese investors in the stock market, with a sample size of 110 respondents of Surkhet Valley. The data are collected using structured questionnaire containing yes/no response questions, multiple choice questions, ranking questions, and Likert scale questions. The survey was conducted in June, 2018. The factors influencing investing decision are grouped into three main variables i. e. company related variable (CRV), risk and return related variable (RRV), and market related variable (MRV). In company related variable factors such as management team, financial performance, size, EPS, DPS are included, in risk return related variable expected return, past return, risk of the company, liquid securities etc. are included, and in market related variable factors such as market information, market price per share, dividend growths etc. are included.*

This study concluded that majority of investor prefer to by stock from primary market, investor analyze the company before making investment decision, investor monitor their portfolio occasionally, and most of the investor use own saving for making investment in stock.

Finally, this study concluded that investment decision of Nepalese investor is more influenced by company related variable (CRV) than market related variable (MRV) and risk and return related variable (RRV). Positive and significant coefficient of company related variable (CRV) is observed in all regression models. It can, therefore, be concluded that the Nepalese investor makes investment decision observing the company related variable of Nepalese companies.

*Keywords: Investment decision, company related variable (CRV), market related variable (MRV), risk and return related variable (RRV).*

## Introduction

Investment decisions are considered one of the major aspects of financial decision. Investors commonly take investment decision by fundamental analysis, technical analysis and judgment. Investment decisions are often supported by decision tools.

---

\* Associate Professor, PhD Scholar, Faculty of Management Mid-Western University, Surkhet, Nepal  
E-mail: [purnaman.skt@gmail.com](mailto:purnaman.skt@gmail.com)

A large body of empirical research (Mojgan and Ali 2011, Azam and Kumar, 2011, Geetha and Ramesh, 2012 etc.) indicated that individual investors makes investment decision analyzing various factor related to investment. Mojgan and Ali (2011) studied investor decision making in the Tehran stock market, and found that two factors, i.e. earnings per share and cash dividends influenced investors' decision to buy stocks. Similarly, Azam and Kumar (2011) examined the factors influencing Pakistan investors' behaviour on the Karachi stock exchange and found that the earnings per share, foreign direct investment and growth rate of gross domestic product have a significant impact on stock prices. Merikas, Merikas, Vozikis, and Prasad (2008), Masomi and Ghayekloo (2011), and Fares and Khamis (2011) also investigated factors influencing investor decisions in different stock markets. Shaikh and Kalkundrikar (2011) studied the demographic effect on investment decisions. These studies concluded that investor's age, education, and accessibility to the internet had a significant impact on stock trading. Similarly, some of these studies concluded that certain behavioural factors also makes influence on investment decision of individual investors. Chandra (2008) found that investors are not always rational unlike the theories of standard finance. They are subject to several cognitive and emotional errors; they are suffering from several biases while taking the investment decision. Due to different investors' biases their perception change about risk taking. Results show that investors who are actually risk averse in their characteristics show the risk seeking behavior by holding the losing investments.

Very few studies related to investors' behavior on stock market investment decision have been conducted on Nepalese stock market. Adhikari (2010) conducted a study to analyze the investment behavior of Nepalese investors. Adhikari found that the investors are mostly overconfident regard to their self-reported level of investment-related knowledge, experience and their ability to pick stock. They exhibited wishful thinking that the shares they hold will appreciate in value. There was a notable difference in the level of confidence in various aspects of investing according to the age and gender of the respondents. The study of Adhikari also found that varying availability of information and the level of understanding of the respondents have an influence in their investment decision making process. Interviews with brokers have brought out a conclusion that most of the Nepalese investors do not have necessary skills to analyze financial information related to companies they are considering investing in and this affects the quality of their investment decision making. Similarly, Kadariya (2012) analyzed the factors that impact the investor's investment decision. These factors include capital structure, political and media coverage, luck and financial education and trend analyses in the Nepalese capital market. Findings of the study show that majority of the investors are youngsters and they take decision considering the media coverage and friend's recommendations as good source of

information. Dividend, earning, equity contribution and government control are considered the most important factors while taking the decision. Investors when bears the loss blames to the market and when earns profit take whole credit their own abilities.

Furthermore, Thapa (2013) conducted a study on investment behavior of individual investors in Nepalese stock market. The study of Thapa found that investors have no preference in the types of market for investment but they are motivated for short term profit. The result of Thapa indicated that increase in the size of investment leads to decrease in the confidence level of investors, and size of investment has positive impact on the level of involvement and negative effect on investors' optimism. In risk taking attitude of investors, Thapa found that professional experience is positively related while size of investment is negatively related. The study of Thapa also found that increase in the size of investment leads to decrease in the confidence level of investors. Size of investment has significantly positive impact on the level of involvement and negative effect on investors' optimism; higher professional experience of investors tends to increase risk taking capacity while investors with large investment have lower tendency to take risk. Similarly, investors having higher level of confidence, involvement, optimism and risk taking attitude tend to trade more frequently in the stock market. Thus, investment behavior of investors is highly influenced by their personal characteristics and psychology.

On the other hand, Karki and Adhikari (2014) conducted a study on investment motive of individual investor in the stock of market of Nepal. Karki and Adhikari found that the most of the investors had the investment motive of speculation and least of the investors had the investment motive of gambling. The study further concluded that there was a positive relationship between information and analysis, investment horizon, age level, and experience in stock market with investment motive. Further this study also revealed a moderate association between academic qualification and investment motive, and information and analysis had a positive relationship with the investment score. Similarly, the result of the study further concluded that rumors and tips are playing vital role in Nepalese stock markets. Finally, Bajracharya (2017) conducted another study related to investor's attitude toward mutual fund. The study of Bajracharya found that there is no association between investors' attitude towards mutual fund on the basis of demographic and socio economic. Investors provide their highest preference on brokers/ Agents as a source of information and other hand, investors give their least preference on Magazines. It was found that, the investors attitude is not independent towards mutual fund on the basis of demographic and socio economic variable (age, gender, monthly income, investment

level, educational qualification). Also, among selected sources, investors provide their highest preference to Brokers/Agents to make investment.

Thus, this study aims to analyze the factors influencing investors' investment decision on Nepalese stock market. This study evaluates the effect of investors' behavior for making investment decision in Nepalese stock market. This study examines the effect of company related variable (CRV), risk and returns variables (RRV) and market related variables (MRV) on the investment decision. In company related variables factors such as management team of the company, financial performance of the company, size of the company, EPS, DPS are included. Similarly, in risk return related variable expected return, past return, risk of the company, liquid securities etc. are included. Finally, in market related variable factors such as market information, market price per share, dividend growths etc. are included. There is only one stock exchange in Nepal i.e. Nepal stock exchange. Very few professional investors are involved in Nepalese stock market. Therefore, this study deals with the following issues:

Why investors invest in stock market?

- What are the determinants of investment decisions in the Nepalese stock market?
- How investors make investment decision in Nepalese stock market?
- What is the effect of risk and returns of the stock on investment decision?
- What market related variables consider by investors for making investment decision?

### **Objective of the Study**

The main objective of this study is to analyze the factors influencing investment decision in Nepalese stock market. The others specific objectives are as follows:

- To analyze the impact of company related variables on investment decision.
- To analyze the impact of risk and returns related variables on investment decision.
- To analyze the impact of market related variables on investment decision
- To identify the determinants of investment decisions in the Nepalese stock market.
- To examine the extent to which the identified factors affect investments decision in the Nepalese stock market

### **Research Methodology**

The fundamental goal of this study is to analyze the factors influencing investment decision in Nepalese stock market. Thus, this study follows descriptive and analytical research design. This study follows the descriptive research design to describe the various issues raised and it

follows the analytical research design to analyze the impact of company related variable, risk and return related variable and market related variables on investment decision on Nepalese stock market.

This study is mainly based on the primary data. In order to collect the necessary data for this study structured questionnaire has been used. Yes/no response questions, multiple choice questions, ranking questions, and questions based on Likert type scale questions were included in the questionnaire. In multiple choice options, respondents were asked to put tick mark in an appropriate option and in ranking options, they were asked to rank the given options by assigning a rank '1' to the most important one and so on. For Likert scale options, the respondents were asked to tick mark in five points Likert scale items, where '5' being 'strongly agree' and '1' being 'strongly disagree'.

One hundred fifty questionnaires were distributed to the respondents of Birendranagar, Surkhet on January 2019 to the respondents from different sector like staffs of commercial banks, entrepreneurs, government officers, graduate level management student and the person who has invested stock market. Out of them one hundred ten respondent has returned complete and usable questionnaires. Thus the response rate is 73.34% which is good for survey. Remaining forty questionnaires could not include in analysis process since some of them were not filled up completely, some of them were chosen same alternatives from beginning to ending of questions that created question in reliability and validity of the information.

## **Data Analysis and Findings**

### **Profile of the Respondents:**

This section presents demographic components i.e. age gender, education background, occupation of the respondent.

### **Table 1 Profile of Respondents Based on Personal Characteristics**

Table 1 provides information on the number and percentage of respondents across different personal character such as gender, age group, occupation, family income, education, and experience period.

Basis for Classification		Frequency	Percent
Gender	Male	81	73.6
	Female	29	26.4
	<b>Total</b>	<b>110</b>	<b>100.0</b>
Age group	16 to 25	22	20.0
	26 to 35	48	43.6
	36 to 45	26	23.6
	46 to 55	13	11.8
	56 above	1	.9
	<b>Total</b>	<b>110</b>	<b>100.0</b>
Occupation	Student	2	1.8
	Employed	90	81.8
	Entrepreneur	13	11.8
	Unemployed	5	4.5
	<b>Total</b>	<b>110</b>	<b>100.0</b>
Family Income	less than 15000	4	3.6
	15000 to 25000	29	26.4
	26000 to 35000	25	22.7
	36000 to 45000	18	16.4
	46000 above	34	30.9
	<b>Total</b>	<b>110</b>	<b>100.0</b>
Education	Intermediate and below	24	21.8
	Under Graduate	10	9.1
	Graduate	39	35.5
	Post Graduate	37	33.6
	<b>Total</b>	<b>110</b>	<b>100.0</b>
Experience period	less than 2 years	43	39.1
	2-5 years	34	30.9
	5-10 years	21	19.1
	more than 10	12	10.9
	<b>Total</b>	<b>110</b>	<b>100.0</b>

Sources: Field survey, 2018

The distribution of gender clearly shows that male are more actively involved in investment in shares. Total number of male respondents are 81 (73.6 percent) whereas the total number of female respondents are only 29 (26.4 percent).

For the purpose of this survey the ages of the respondents are divided into five groups, 16 - 25 years, 26-35 years, 36-45 years, 46-55 years and above 56 years. Among the 110 respondents, 20 percent are of age group 16-25 years, 43.6 percent are of age group 26-35 years, 23.6 percent of age group 36-45, 11.8 percent of respondent are of

the age group 46-55 and 0.9 percent of respondents are of age group 56 and above. The distribution suggests that the people of age group 26-35 years are more involved in stock market who almost occupy almost 43.6 percent of the total respondent of this survey.

Similarly, Out of the total 110 respondents, (1.8 percent) respondents are students. 81 (8.3 percent) respondents are from the service sector, 13 (11.8 percent) respondents are entrepreneurs, and 5 (4.5 percent) are unemployment.

Further, respondents are also classified in terms of their family income. 3.6 percent respondents have the family monthly income of less than 15000 per month. 26.4 percent respondents have the family income per month between 15000-25,000, 22.7 percent respondents have the monthly family income between 26000-35000, 16.4 percent respondents have the monthly family income between 36000-45000 and 30.9 percent have the family monthly income above 46,000.

Respondents are also classified in terms of their education. 33.6 percent of respondents have completed their Post-Graduate level of education. Similarly, 35.5 percent of respondents have completed their Graduate level of education. 21.8 percent of respondents come under intermediate and below and the numbers of Under Graduate investors are minimal with only 9.1 percent.

Finally, respondent are also classified according to their experience. The result indicates that 39.1 percent investors have experience less than 2 years. 30.9 percent respondents have experience of 2 to 5 years. Similarly, 19.1 and 10.9 percent respondents have experience of 5 to 10 years and more than 10 years respectively.

### **Perception of the investor on the various aspects of stock market**

To analyze perception of the respondent regarding the various aspects of stock market respondent were asked to present their response on preferred market for investment, preferred company for investment, analysis of company before making investment, monitoring of portfolio, investment horizon, source of investment money etc. Their responses regarding these issues are presented in Table 2.



**Table 2: Perception of the investor on the various aspects of stock market**

	Items	Frequency	Percent
<b>Preferred Market to buy shares</b>	Primary market	82	74.5
	Secondary market	2	1.8
	Both	26	23.6
	<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Analysis of companies</b>	Yes	90	81.8
	No	17	15.5
	Don't know	3	2.7
	<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Monitoring investment Portfolio</b>	Daily	13	11.8
	Monthly	38	34.5
	Occasionally	59	53.6
	<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Type of investor</b>	Long-term	62	56.4
	Medium-term	31	28.2
	Short-term	17	15.5
	<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Source of investment money</b>	Saving	106	96.4
	Inherited	2	1.8
	Borrowed money	2	1.8
	<b>Total</b>	<b>110</b>	<b>100.0</b>

Sources: Field survey, 2018

It can be observed from table 2 that investors are more interested to invest in primary market than secondary market. About 74.5 percent of total investors like to invest in primary market whereas 23.6 percent of investors like to invest in both markets. It also shows that only 1.8 percent of investors like to invest in secondary.

Similarly, the result presented in table 2 indicates that the majority of the respondent i. e. 81.8 percent of the respondent analyzes the company and 15.5 percent respondents do not analyze the company for making investment whereas 2.7 percent respondent opined that they don't know about this issue.

As regards how often respondents monitor their investment portfolio, another question was asked to the respondent. The majority of the respondent (53.6 percent) opined that they monitor their portfolio occasionally whereas 34.5 percent respondents opined that they monitoring the investment monthly, and finally, 11.8 percent respondents are more interests to monitor their investment portfolio daily.

The investment horizon can be used as the basis to divide the investors into long term investors, medium term and short term investors. The respondents were asked to ascertain



themselves in any one of the above three categories. 28.2 percent of the investor ranked them as the medium term investors. 15.5 percent consider themselves as the short term investors and 56.4 percent of the investors consider themselves as the long term investors. It shows that long term investors who generally hold the shares for more than 5 years are higher in Surkhet than compared to medium term and short term investors.

Finally, investors are further divided into two types on the basis of the source of the invested money; active investor and passive investor. If the investor had used inherited money to invest in the market, then the investor is passive investor and if not, then active investor. The survey result shows that in Nepalese stock market more than 96.4 percent investors use their own earning to invest in stock market whereas the remaining uses the earning from other sources like inherited money (1.8 percent) or borrowed money (1.8 percent).

### Investment Strategy Pattern

An investment strategy is a set of rules, behaviors or procedures, designed to guide an investor's selection of an investment portfolio. Thus, it can be derived only after analyzing the factors responsible to guide the investor's behavior while selecting the particular investment alternative. The major factors responsible are source for information, information search, each of these are described below.

Source of information and reliability of the source of the information are two most important components for any investors. This study had tried to find out the source of information and usefulness of the major source of information for the primary market and secondary market investors in Nepal. In this regard, the respondents are asked to rank their source of information to invest in stock market as per their importance most important to 1 and so on.

The result regarding the source of information of Nepalese stock market investors is presented in the table 3.

**Table 3 Rank wise source of information for Nepalese stock investors**

Sources of information	Frequency					Total	Weighted Value	Weighted Mean	Rank
	1	2	3	4	5				
Family and friends	38	20	26	18	8	110	268	2.43	2
Newspaper	16	38	34	18	4	110	382	3.47	4
Companies annual report and prospectus	22	21	18	41	8	110	322	2.93	3
Brokerage house	0	5	3	19	83	110	510	4.63	5
Electronic media	33	27	19	14	7	110	235	2.13	1

Source: Author's calculation

It is evident from Table 3 that the most important source of information is "Electronic media". It got the weighted value of 235 with the lowest weighted mean value of 2.13 and ranked as

number one. The respondents ranked “Family and friends”, “Companies annual report and prospectus”, “Newspaper”, and “Brokerage house” as the second, the third, the fourth, and the fifth important sources of information respectively.

Similarly, to identify the preferred sectors of investment for Nepalese stock market investors, the respondents were asked to choose their preferred sector of investment as per their importance most important to 1 and so on. The result is presented in table 4.

**Table 4 Rank wise sector of investment**

Sector of investment	Frequency								Total	Weighted Value	Weighted Mean	Rank
	1	2	3	4	5	6	7	8				
Commercial banks	52	39	12	5	1	1			110	197	1.79	1
Development Banks	5	14	16	30	28	10	7		110	450	4.09	4
Finance Companies	4	7	40	33	19	5	1	1	110	410	3.7	3
Hotels	1		11	6	10	20	16	46	110	708	6.4	7
Hydropower	44	33	9	11	10	1	2		110	254	2.3	2
Insurance Companies	6	11	13	19	27	16	12	6	110	506	4.6	5
Manufacturing companies		2	7	3	11	29	45	13	110	685	6.22	6
Trading companies		1	2	3	4	29	28	43	110	754	6.85	8

Source: Author’s calculation

Table 4 shows that the most preferable sector of investment for Nepalese investors is “Commercial Bank”. It got the weighted value of 197 with the lowest weighted mean value of 1.79 and ranked as number one. It is followed by the “Hydropower” with the weighted mean value of 2.3. Similarly, Finance companies got 3<sup>rd</sup> rank, Development banks got 4<sup>th</sup> rank, Insurance companies got 5<sup>th</sup> rank and Manufacturing companies and Hotels got 6<sup>th</sup> and 7<sup>th</sup> rank respectively. Finally, the least preferred sectors of investment are trading companies, it got 8<sup>th</sup> rank.

Further, investment strategy is driven by the why investor invest in share. This study also attempted to find out the most preferred investment objectives of the Nepalese investors. In this regard, the respondents are asked to rank the objective of invest in stock market as per their importance most important to 1 and so on. The response of the ranking is presented in table 5.

**Table 5 Rank wise reason for stock investment**

Reasons of invest in share	Frequency						Total	Weight Value	Weight Mean	Rank
	1	2	3	4	5	6				
Dividend income	30	37	35	6	2		110	243	2.20	2
Expected bonus and right share	23	33	40	12	1	1	110	268	2.43	3
Share price increment in long term	52	28	25	5			110	203	1.84	1
Share price increment in short term	5	10	8	82	2	3	110	405	3.68	4
No opportunities in other sector		1		3	83	23	110	567	5.15	5
Fun and excitement in investing		1		2	23	84	110	629	5.71	6

Source: Author's calculation

The result presented in Table 5 clearly shows that the Nepalese investors seek share price increment in long term as the most important investment objectives closely followed by dividend income and expected bonus and right share. The investors found that the long term increase in price as more important investment objectives than the short term increase in price. The other investment objectives like no opportunity in other sector and fun and excitement in investing has been of very less important in case of the Nepalese stock market investors.

#### **Analysis of the factors influencing decision for investing in common stock**

Various factors make influence on investment decision of individual investors. In this study few of those factors are analyzed. In this study factors which make influence on investment decision of individual investors are categorized into company related variable, risk return related variables and market related variables. In company related variables factors such as management team of the company, financial performance of the company, size of the company, EPS, DPS are included. Similarly, in risk return related variable expected return, past return, risk of the company, liquid securities etc. are included. Finally, in market related variable factors such as market information, market price per share, dividend growths etc. are included. The responses in this regard are presented in table 6.

Table No 6 shows the responses on the observation of investors behavior related to investment decision in stock market. It can be observed that investor prefers to sell their investment when current market will increases as it has mean 4.28 greater than the average value of 3.0. The investor prefers to buy shares with expectation of increment of share price in future. It has mean value of 4.25. Similarly, investor considers dividend income as key factor for making investment in shares. It has mean value of 3.8636.

Table 6 further shows that among the company related variables investor mostly depends upon the recent financial performance of the company for making investment decision. It has mean value of 4.2569 which is greater than the average value 3.0. As evident from the analysis investor gives least preference to the growth and size of the company for making investment decision. It has mean value of 3.238.

Among the risk and return related variables Investors like to invest in those companies where expected return will be high. It has highest mean of 4.4679. Similarly, investor gives less importance to highly liquid share for making investment. It has mean only 3.247.

Finally, Table 6 depicts that among the market related variable respondents give more priority to market information for making investment decision. It has mean value of 4.330. Similarly, respondents give priority to market price per share, dividend growth trend, and high return cash flow stock respectively.

**Table 6 Factors influencing investing decision in common stock**

Items	Mean	Std. Deviation
<b>Investment Decision</b>		
<i>I consider dividend income as a key factor for making investment in common stock</i>	3.864	0.88284
<i>I want to invest in share when shares price decreases. i.e. minimum</i>	3.52	1.10
<i>I prefer to buy shares with expectation of increment of share price in future.</i>	4.25	0.94
<i>I prefer to sell my investment when current market will increase.</i>	4.28	1.005
<b>Company Related Variables (CRV)</b>		
<i>My investment decision depends upon the management team of the company.</i>	3.917	1.08122
<i>My investment decision depends upon the recent financial performance of the company.</i>	4.257	.83226
<i>I like to invest in shares of larger companies.</i>	3.256	.92700
<i>The growth and size of a company depends my decision to buy the shares.</i>	3.238	.96128
<i>Variables related to stock (i.e., EPS, Book value per share, Dividend per share) of company affect my choice to buy stock.</i>	3.578	1.09116
<b>Risk and Returns Related Variables (RRV)</b>		
<i>I like to invest those companies where expected returns will be high.</i>	4.468	1.03252
<i>I compare the past returns of the companies with other companies.</i>	3.743	.99446
<i>Risk of the company return affects the investing decision.</i>	3.522	.78877
<i>Risk and Return of similar types of other companies affects the investing in stock.</i>	3.256	.92700
<i>I prefer to highly liquid securities.</i>	3.247	1.07286
<b>Market Related Variables (MRV)</b>		
<i>Market information is important for my stock investment.</i>	4.330	1.02790
<i>Market Price Per Share affects the investor's behavior on invests in stock.</i>	4.146	.91110
<i>I prefer to high return cash flow of the stock.</i>	3.477	.93884
<i>I consider dividend growth trend is considered by investors for investment in stocks.</i>	4.082	1.08122

Source: Author's calculation

Furthermore, the factors influencing investment decision of individual investor of common stock has been analyzed using regression analysis. For this purpose univariate, bivariate and multivariate regression has been used. The following section presents the result of regression analysis.

### Table 7 Regression Analysis

This table shows the results based on regression model. The basic model is:

$$ID_{\square} = \alpha_0 + \alpha_1(CRV) + \alpha_2(MRV) + \alpha_3(RRV) + \varepsilon_{\square}$$

Dependent variable is the investment decision as (ID) and independent variables are market related variable (MRV), company related variables (CRV), and risk return related variables (RRV). The figures in the parentheses are t-values. F-statistics and Adjusted R<sup>2</sup> are also reported.

Model	Intercept	MRV	RRV	CRV	Adj R <sup>2</sup>	F-statistics	Number of observation
1	12.334 (10.818)**	0.255 (3.218)**			0.080	10.356	110
2	11.290 (9.148)**		0.255 (3.822)**		0.112	14.606	110
3	9.922 (6.853)*			0.330 (4.200)**	0.133	17.637	110
4	8.677 (5.574)**	0.143 (2.007)*		.272 (3.294)**	0.173	11.082	110
5	9.196 (6.143)**		0.139 (1.705)	0.231 (2.371)**	0.149	10.430	110
6	10.134 (7.367)*	0.138 (1.826)	0.198 (2.701)**		0.147	9.130	110
7	8.8382 (5.325)**	0.117 (1.573)	0.100 (1.175)	0.212 (2.173)**	0.160	7.847	110

\*Significant at 1% level of significance

\*\*Significance at 5% level of significance

Source: Author's calculation

Table 7 shows the regression results of effect of company related variable (CRV), risk and returns variables (RRV) and market related variables (MRV) on the investment decision. Result shows that all the variables have significant positive impact on the investment decision of investors when they are regressed individually (Model 1, 2 & 3). All the coefficients are positive and statistically significant. It means that investors dependent on company related variable, risk and returns variable and market related

variables for making their investment decision. Though value of adjusted  $R^2$  is low, low p value of F test confirms fitness of model.

These variables are jointly regressed in bivariate regression (Model 4, 5 & 6). The coefficient of market related variable (MRV) and company related variable (CRV) is positive and significant in Model 4. Similarly, Model 5 risk and return related variable (RRV) and company related variables (CRV) are jointly regressed and the coefficient of Company related variable found to be positive and significant. Furthermore, when market related variable (MRV) and risk and return related variable (RRV) are jointly regressed the coefficient of risk and return related variable (RRV) found to be positive and significant.

Finally, all three independent variables are jointly regressed in multiple regression Model 7. In Model 7 again the coefficient of company related variable (CRV) is found to be significant and positive but the significance of other two variable i.e. risk return related variable (RRV) and market related variable (MRV) is lost but the coefficient of these two variables are still positive. It can, therefore, be concluded that the investors investment decision strongly depends on company related variable (CRV).

### **Summary and Conclusion**

This study focuses on the identification of the factors influencing investment decision of individual investor of Nepalese capital market. For this purpose various aspects of investors' behavior has been analyzed. This study has used primary source of data collected in January 2019 using structured questionnaire from Surket, Valley.

This study concludes that majority of investor prefer to buy stock from primary market and majority of investor analyze the company before making investment in stock. Similarly, majority of investor monitor their portfolio occasionally and most of the investor use own saving for making investment in stock.

Furthermore, this study concludes that most of the investor use of information of "Electronic media" for making investment decision as well as they follow the suggestion from "Family and friends" for making proper investment decision. Similarly, majority of the investor ranked 1 stock of the commercial bank for making investment and it is followed by hydropower sector. Finally, it is observed that most of the investor invest in stock expecting share price increment in long term and it is followed by dividend income.

Further finding of this study concludes that among the company related variable the most important variable is financial performance of the company. Thus, it can be concluded that investor consider the financial performance of the company for making investment decision in Nepalese stock market. Similarly, among the risk

and return related variable majority of the investor prefer those companies whose expected return will be high in future. This can, therefore, be concluded that Nepalese investor prefers stock of those companies whose expected return will be high in future. Furthermore, among the market related variable respondent have given more importance on market information for making stock investment decision.

Finally, the univariate, bivariate and multivariate regression analysis also shows that investment behavior of Nepalese investor is more influenced by company related variable (CRV) than market related variable (MRV) and risk and return related variable (RRV). The coefficient of company related variable (CRV) is positive and significant in all models but the coefficients of other two variables are not significant in all models. The coefficient of these two variables are significant in univariate and bivariate regression but their significance is lost in multivariate regression. It can, therefore, be concluded that the Nepalese investor makes investment decision observing the company related variable of Nepalese companies.

## References

- Adhikari, P. (2010). Investment behavior of Nepalese investors. *Nepal Journal of Management*, 3(1) 48-58.
- Azam, M., & Kumar, D. (2011). Factors influencing the individual investor and stock price variation: Evidence from Karachi Stock Exchange. *Australian Journal of Basic and Applied Sciences*, 5(12) 3040-3043.
- Bajracharya, R. B. (2017). A study of investors' attitude towards mutual fund in Kathmandu City, Nepal. *Journal of Advanced Academic research*, 4(1)1-11.
- Chandra, A. (2008). Decision making in the stock market: incorporating psychology with finance conference. Conference proceedings: *FFMI 2008IIT Kharagpur*, 461-483.
- Fares, A. R. F., & Khamis, F. G. (2011). Individual investors' stock trading behavior at Amman Stock Exchange. *International Journal of Economics and Finance*, 3(6), 128 - 134.
- Geetha, N., & Ramesh, M. (2012), A study on relevance of demographic factors in investment decisions. *International Journal of Financial Management (IJFM)*, 1(1), 39-56.
- Kadariya, S. (2012). Factors affecting investor decision making: A case of Nepalese capital market. *Journal of Research in Economics and International Finance (JREIF)*, 1(1), 16-30.
- Karki, B. & Adhikari, B. (2014). Investment motive of individual investor in the stock of market of Nepal.
- Masomi, S. R., & Ghayekhloo, S. (2011). Consequences of human behaviors' in economic: the effects of behavioral factors in investment decision making at Tehran Stock Exchange. *International Conference on Business and Economics Research*, 1, 234-237.



- Merikas A.A., Merikas A.G., Vozikis G.S., & Prasad D. (2008). Economic factors and individual investor behavior: The case of the Greek stock exchange. *Journal of Applied Business Research*, 20(4), 93-98.
- Mojgan, S., & Ali, M. (2011). Examining the effect of earnings per share and cash dividends per share on investor decision making in Tehran Stock Exchange from the capital market participants' view. *American Journal of Scientific Research*, 36, 99-106.
- Shaikh, A. R. H., & Kalkundrikar, A. B. (2011). Impact of demographic factors on retail investors' investment decisions- An exploratory study. *Indian Journal of Finance*, 5(9), 35 - 44.
- Thapa, B. S. (2013). The investment behavior of individual investors in Nepalese stock Market. *The Nepalese Management Review*, 16(1), 1-12.