Original Research Article

Information Framing and Disposition Effect on Nepalese Investors' Decision-making Behavior

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Abstract

Purpose: This study examines the influence of behavioral biases (i.e., specifically, information framing and the disposition effect) on the decision-making behavior of individual investors in the Nepalese stock market. Additionally, the study investigates how years of investment experience moderate these relationships.

Design/methodology/approach: A cross-sectional survey design was employed, collecting data from 261 investors actively trading in the secondary market through broker houses in the Kathmandu Valley. Data were gathered using a structured questionnaire and analyzed using SmartPLS 4.0 to causal relationship.

Findings: This study demonstrates that the disposition effect significantly shapes investor decision-making, while framing biases show no such impact. Notably, investment experience moderates the disposition effect, amplifying its influence, but does not moderate framing biases, underscoring a nuanced behavioral pattern among investors.

Conclusion: The study concludes that while experience helps investors overcome framing-induced irrationalities, the disposition effect remains a persistent bias shaping decision-making in Nepal's emerging capital market.

Implications: This research not only contributes to extending the applicability of behavioral finance theory to frontier markets but also provides essential evidence to inform more targeted investor education initiatives and regulatory policies.

Originality/value: This study adds value by filling an empirical gap through a novel framework that highlights how behavioral biases and investment experience jointly influence investor decision-making in emerging markets.

JEL Classification: G11, G41, D81

Introduction

Behavioral finance has fundamentally challenged the traditional view of investor rationality by revealing that cognitive biases and emotional heuristics often drive financial decision-making (Kahneman & Tversky, 1979). Whereas classical finance theories, such as Markowitz's portfolio theory and Sharpe's capital asset pricing model, assume investors objectively weigh risk and return to maximize expected utility (Fama, 1970; Sharpe, 1964), a substantial body of evidence demonstrates that actual investment choices frequently deviate from this rational paradigm. Prospect theory, pioneered by Kahneman and Tversky (1979), showed that individuals evaluate outcomes relative to reference points and exhibit pronounced loss aversion, experiencing losses more intensely than comparable gains. This insight spurred an extensive investigation into behavioral biases that systematically distort financial choices. Among these, the disposition effect, investors' tendency to prematurely sell winning stocks while clinging to losing ones, and information framing, where decisions shift based on how identical outcomes are presented, stand out as critical factors undermining optimal portfolio strategies.

In emerging markets like Nepal, these behavioral biases may be even more pronounced due to unique structural and cultural dynamics. The Nepal Stock Exchange (NEPSE) has seen a significant rise in retail participation, with daily trading volumes largely driven by individual investors rather than institutional actors. A 2023 survey by Nepal Rastra Bank (NRB) reported that over 60% of Nepalese investors rely primarily on informal channels such as peer advice and social media, rather than systematic financial analysis, to guide their investment decisions. With only 34% of investors demonstrating an understanding of fundamental analysis (NRB, 2022), coupled with a volatile market environment, conditions are ripe for biases like the disposition effect and framing to influence decision-making. Cultural factors such as herd mentality, common in collectivist societies, along with regulatory and informational gaps, may further amplify these effects. Yet despite these realities, most existing behavioral finance research focuses on developed markets, offering limited insight into how such biases operate in frontier economies with distinct investor profiles and institutional contexts.

In Nepal, scholarly attention has largely centered on macroeconomic or structural determinants of market performance, such as interest rates, liquidity, and policy stability (Paudel & Bhattarai, 2019; Bhatta & Mishra, 2021), leaving a significant void in understanding the psychological dimensions that drive individual investment behavior. While global studies have explored how disposition effects and framing shape investor choices (Weixiang & Rui, 2022; Beratšová et al., 2016), their findings may not readily translate to Nepal's evolving market structure, where first-generation investors dominate and regulatory safeguards are still maturing.

Against this backdrop, this study aims to fill the gap by empirically investigating how behavioral biases, specifically the disposition effect and information framing, influence individual investors' buy and sell decisions in the Nepalese stock market. Recognizing that investors are not uniformly affected by such biases, the study further examines how years of investment experience moderate these relationships. By uncovering how behavioral biases interact with investor experience to shape decision-making in Nepal's capital market, this research not only contributes to extending the applicability of behavioral finance theory to frontier markets but also provides essential evidence to inform more targeted investor education initiatives and regulatory policies.

Literature review

Empirical Review

Behavioral finance has revolutionized the understanding of financial decision-making by demonstrating that investors frequently deviate from rationality due to cognitive biases. The disposition effect, first theorized by Shefrin and Statman (1985), is one of the most empirically validated anomalies, where investors hold losing investments too long and sell winners prematurely. Odean (1998) analyzed 10,000 discount brokerage accounts and found that investors were 1.5 to 2 times more likely to sell winning stocks than losers, even after controlling for taxes and rebalancing. This effect persists across markets, including the U.S. (Frydman & Wang, 2020), Europe (Grinblatt & Keloharju, 2001), and Asia (Chen et al., 2007), suggesting a universal cognitive bias. However, cross-country variations exist; investors in high-uncertainty-avoidance cultures (e.g., Japan) exhibit stronger disposition effects due to heightened loss aversion (Weber & Hsee, 1998). Similarly, information framing, rooted in Prospect Theory (Kahneman & Tversky, 1979), shows that identical information presented differently (e.g., "80% success" vs. "20% failure") alters risk perceptions. Empirical studies confirm that positively framed messages increase risk-taking, while negative frames induce conservatism (Levin et al., 2002). These biases are exacerbated in low-financial-literacy populations, where heuristic-driven decisions dominate (Lusardi & Mitchell, 2014).

Behavioral biases manifest differently across market maturities. In developed markets, institutional dominance and high-frequency trading mitigate individual biases (Barberis et al., 2009), whereas emerging markets, characterized by retail-driven trading, low liquidity, and information asymmetry, amplify them. In India, Kumar (2009) documented a stronger disposition effect among small investors, attributed to overconfidence and limited diversification. Similarly, in China, market-wide speculation and herding behavior (Tan et al., 2008) exacerbate framing effects, as investors rely on informal tips rather than fundamental analysis. Crucially, legal and regulatory frameworks play a moderating role: markets with robust investor protection (e.g., U.S., U.K.) see attenuated biases compared to developing nations. Nepal's stock market, with its nascent regulatory environment (SEBON was established only in 1993) and dominance of retail investors (85% of trades; NRB 2023), presents a fertile ground for extreme behavioral bias.

Nepal's stock market remains one of the least studied in behavioral finance, despite its rapid growth (NEPSE index surged 120% in 2021 before a 30% correction in 2022). Unlike developed markets, Nepal's investors face severe information asymmetry, relying on broker recommendations (70% of traders; SEBON 2022) and social media rather than formal disclosures. This aligns with bounded rationality theory (Simon, 1955), where investors satisfice rather than optimize due to cognitive constraints. Additionally, socioeconomic factors, such as low financial literacy (only 22% understand P/E ratios, NRB 2021) and remittance-driven liquidity, create unique bias triggers. For example, sudden liquidity inflows from overseas workers may fuel overconfidence, worsening the disposition effect (Gervais & Odean, 2001). Few localized surveys suggest herd behavior and short-termism dominate trading rationales (Shrestha & Bhandari, 2018), indirectly pointing to behavioral distortions. Furthermore, Nepal's lack of short-selling mechanisms prevents arbitrageurs from correcting mispricing, allowing biases to persist longer than in efficient markets.

Classical decision theory, anchored in the expected utility framework (von Neumann & Morgenstern, 1944; Fishburn, 1990), posited that individuals systematically weigh probabilities and outcomes to maximize utility, embodying rational, preference-consistent choices (Simon, 1959). However, empirical anomalies soon revealed persistent deviations from such optimality. Prospect Theory fundamentally reframed this view by demonstrating how cognitive heuristics, particularly loss aversion and reference dependence, lead individuals to overweight losses relative to equivalent gains, producing systematic biases like the framing effect (Kahneman & Tversky, 1979). This insight catalyzed Behavioral Economics (Thaler, 1980), which embedded psychological realism into economic analysis, empirically showing that investors routinely violate normative principles through mental accounting, regret aversion, and overreaction to recent information (Barberis & Thaler, 2003).

Further, Neuroeconomics illuminated the neural substrates of these biases, revealing how risk and reward are encoded in emotion-laden brain regions, thus challenging purely cognitive models (Rangel et

al., 2008; Berns et al., 2008). Contemporary Adaptive Decision-Making frameworks argue that such biases can be moderated by experiential learning and contextual recalibration (Gigerenzer, 2002; Jasper et al., 2013). Collectively, this literature highlights that investor decisions are not governed by cold logic but by an evolving interplay of cognition, affect, and adaptive heuristics, critical for understanding how phenomena like framing and disposition effects persist across varied market environments.

Framing Effect and Decision Making

Behavioral finance, grounded in Kahneman and Tversky's (1979) prospect theory, explains how framing shapes investor decision-making by influencing risk perception through loss aversion, losses psychologically outweigh gains of equal size. This fundamental cognitive bias causes investors to react differently to identical information depending on whether it is framed positively (gains) or negatively (losses), thus systematically deviating from rational choice models (Kahneman & Tversky, 1979; Barberis, 2013).

Recent empirical evidence reinforces this framing effect. Kirchler et al. (2006) demonstrated that positively framed information encourages investors to hold winning stocks longer, while negatively framed cues lead to premature selling. Glaser et al. (2007) observed that framing future stock forecasts as price levels, rather than returns, significantly alters investor expectations, confirming the powerful influence of presentation on decision outcomes. More recent studies (Weixiang & Rui, 2022; Beratšová et al., 2016) also highlight regret aversion and mental accounting as emotional mechanisms intensifying framing biases.

In emerging markets like Nepal, the effect is amplified by low financial literacy (NRB, 2022), reliance on informal sources (NRB, 2022), and volatile market conditions (Gyawali et al., 2024; Ghimire et al., 2023). Cultural factors further enhance susceptibility, as collective decision-making often reinforces biased frames (Shah et al., 2021). Thus, based on the theoretical and empirical evidence, the following hypothesis has been devised.

H1: The framing effect has a significant influence on the decision-making behavior of individual investors.

Disposition Effect and Decision Making

The disposition effect, initially documented by Shefrin and Statman (1985), reflects investors' tendency to sell winning assets too early while holding onto losing assets for too long. Grounded in Kahneman and Tversky's (1979) prospect theory, this behavior arises from loss aversion and regret avoidance, causing deviations from optimal decision-making. Investors' emotional attachment to losses often leads to holding underperforming stocks in the hope of recovery, while prematurely locking in gains limits portfolio growth.

Extensive empirical research confirms the significant influence of this bias. Odean (1998) demonstrated that investors realize gains more frequently than losses, which reduces overall returns. Barberis and Xiong (2009) highlighted emotional mechanisms intensifying this bias, while recent studies (Brettschneider et al., 2021; Liêu & Pelster, 2020) observe its persistence even in professional settings. These findings reveal the pervasive and powerful effect of the disposition bias on decision outcomes. In emerging markets like Nepal, where financial literacy is relatively low (NRB, 2022) and market volatility is

high, the disposition effect's influence on investor behavior is likely amplified, leading to impaired decision-making. Thus, based on the theoretical and empirical evidence, the following hypothesis has been devised.

H2: The disposition effect significantly influences investors' decision-making behavior.

Moderating Role of Years of Experience

According to Barberis (2013), market experience facilitates more disciplined decision rules, gradually counteracting heuristic-driven errors. Years of exposure to diverse market cycles enable investors to process framed information with heightened scrutiny, mitigating susceptibility to superficial presentation cues.

Empirical research substantiates this moderating influence. Beratšová et al. (2016) found that investors with more extensive market tenure exhibited lower framing susceptibility, attributed to adaptive learning and reduced cognitive overload. Similarly, Glaser and Weber (2007) demonstrated that experienced traders relied less on heuristic shortcuts, showing diminished framing distortions compared to novices. More recently, Weixiang and Rui (2022) confirmed that regret aversion and mental accounting, subcomponents that reinforce framing, were significantly weaker among seasoned investors. Moreover, in emerging markets like Nepal, where retail investors are the backbone of market activity, the limited financial literacy (NRB, 2022) intensifies framing effects. However, as investors accumulate experience, they progressively internalize lessons from past framing-driven misjudgments, becoming less reactive to gain or loss-oriented presentations. Thus, the interplay of learning effects, reduced affective reactions, and broader market familiarity provides compelling grounds to posit that years of experience significantly moderate how framing impacts decision-making. Thus, the following hypothesis is proposed:

H3: Years of investment experience significantly moderate the relationship between the framing effect and investors' decision-making behavior.

Experience serves as a cognitive corrective, refining investors' ability to manage emotional biases tied to gains and losses. Da et al. (2013) provided robust evidence that trading experience significantly weakens the disposition bias. Their large-scale empirical analysis showed that seasoned investors, familiar with the long-term adverse impacts of holding losers, displayed systematically lower proportions of gains realized (PGR) relative to losses realized (PLR). Brettschneider et al. (2021) further illustrated that experience tempers emotional asymmetries between realized and paper gains or losses, thereby dampening disposition-driven misallocations. Similarly, Liêu and Pelster (2020) showed that professional investors, by virtue of extensive experience, exhibit markedly lower disposition-driven misallocations than their retail counterparts. This finding echoes Odean's (1998) foundational work, which highlighted that persistent disposition effects could be partially mitigated by repeated market learning and exposure to realized consequences of such biased trading. Thus, the following hypothesis is proposed:

H4: Years of investment experience significantly moderate the relationship between the disposition effect and investors' decision-making behavior
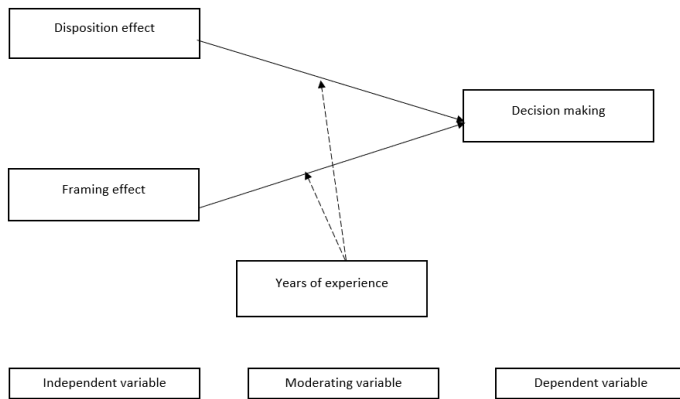
Figure 1: Research Model

Research Methods

This study employs an explanatory, cross-sectional design to investigate how behavioral biases influence individual investors' buy and sell decisions in the Nepalese stock market, and also how years of investment experience moderate these relationships. Primary data were collected through a structured questionnaire administered to secondary market investors across broker houses in Kathmandu Valley. A total of 261 valid responses were obtained via Google Forms using smartphones and tablets. Both self-administered and researcher-assisted approaches were used to accommodate participants requiring clarification, enhancing response reliability.

The survey instrument comprised two sections: demographic profiling and constructs measuring the disposition effect, framing effect, and investment decision-making. The disposition effect was assessed using a 12-item scale adapted from Goo et al. (2010). Framing effect (12 -items), covering regret aversion, endowment bias, and mental accounting, were sourced from Sukamulja et al. (2021), Kahneman et al. (1990, 1991, 2008), Pompian (2006), and Weixiang & Rui (2022). Decision-making behavior was measured using six items adapted from Acharya (2022). A seven-point Likert scale ranging from 'Strongly Disagree' (1) to 'Strongly Agree' (7) captured response intensities, consistent with best practices in behavioral finance research.

For data analysis, the study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 4.0. This approach is particularly appropriate for predictive models with multiple latent constructs, offering robustness under non-normal data distributions and modest sample sizes (Hair et al., 2013). Following the recommendations of Hair et al. (2010) and Henseler et al. (2009), the two-step approach was applied: first, the measurement model was evaluated to ensure indicator reliability, internal consistency, convergent validity, and discriminant validity; second, the structural model was assessed to test the hypothesized relationships and moderation effects through bootstrapping. Ethical standards were rigorously maintained. Participation was voluntary, informed consent was secured from all respondents, and data confidentiality was strictly preserved.

Result and Analysis

Table 1: Demographic profile of the respondent

Variable	Category	Frequency	Percentage (%)
Gender	Male	159	60.9
	Female	102	39.1
Age	Below 18	3	1.1
	18-24	42	16.1
	25-31	85	32.6
	32-38	50	19.2
	39-45	54	20.7
	46 and above	27	10.3
Education	High School	46	17.6
	Bachelors	116	44.4
	Masters	91	34.9
	Phd	8	3.1
Occupation	In the security and financial market	40	15.3
	Manufacturing industry	29	7.8
	Service industry	73	28
	Self employed	64	24.5
	Others	55	21.1
Transaction Frequency	Weekly	43	11.5
	Monthly	76	20.3
	Swing traders, not trade frequently	142	38
Investment Amount (Rs)	1,00,000 or below	88	33.7
	1,00,000 - 5,00,000	39	14.9
	5,00,001- 10,00,000	79	30.3
	10,00,001 or above	55	21.1
Awareness of behavioral biases	Yes	138	52.9
	No	26	10
	Maybe	97	37.2

Demographic Profiles of the Respondents

The sample predominantly consists of male investors (60.9%), with females representing 39.1%, reflecting the gender imbalance typically observed in Nepal's equity market participation. Age distribution reveals that nearly one-third (32.6%) fall within the 25–31 bracket, followed by 20.7% in the 39–45 range, suggesting a mix of young and mid-career investors actively engaged in the market. Educationally, respondents are relatively well-qualified, with 44.4% holding Bachelor's degrees and 34.9% possessing Master's degrees.

Occupational data show diverse engagement, led by the service sector (28%), self-employment (24.5%), and notable participation from the financial market itself (15.3%). Trading patterns illustrate that most respondents are swing traders (38%), engaging less frequently, while only 11.5% transact weekly. In terms of investment size, a significant portion (33.7%) invest up to Rs. 1,00,000, though nearly as many have portfolios exceeding Rs. 5,00,000, reflecting varying levels of market exposure and risk appetite. Importantly, while 52.9% claim awareness of behavioral biases, a substantial share remains uncertain (37.2%), highlighting the relevance of this study in examining how biases like framing and disposition may differentially affect investors across demographic segments and levels of market sophistication.

Table 2: AVE, Factor Loading, Composite Reliability (Cr), Cronbach's Alpha

Construct	Items	Factor Loading	Cronbach's alpha	CR (rho a)	AVE
DE	DE1	0.715			
	DE2	0.794			
	DE3	0.715			
	DE4	0.774			
	DE5	0.758			
	DE6	0.771	.936	.939	.589
	DE7	0.742			
	DE8	0.748			
	DE9	0.804			
	DE10	0.782			
	DE11	0.825			
	DE12	0.764			
FE	FE1	0.605			
	FE2	0.809			
	FE3	0.808			
	FE4	0.801			
	FE5	0.771			
	FE6	0.772	.945	.95	.627
	FE7	0.772			
	FE8	0.786			
	FE9	0.857			
	FE10	0.843			
	FE11	0.845			
	FE12	0.801			
DM	DM1	0.833			
	DM2	0.881			
	DM3	0.924			
	DM4	0.851	.888	.931	.655
	DM5	0.840			
	DM6	0.409			

Measurement Model

The reliability and validity of the constructs were rigorously assessed using established criteria (see Table 2). Key metrics included Composite Reliability (CR), Cronbach's Alpha, and Average Variance Extracted (AVE), with thresholds set at CR ≥ 0.70, Cronbach's Alpha ≥ 0.70, and AVE ≥ 0.50 (Hair et al., 2010; Purwanto & Sudargini, 2020). Results demonstrated robust internal consistency, with CR values exceeding 0.80, Cronbach's Alpha ranging between 0.70 and 0.80, and AVE values above 0.50, confirming construct reliability and convergent validity.

Discriminant validity was confirmed through the Fornell-Larcker criterion and Heterotrait-Monotrait ratio (HTMT). The square root of each construct's AVE surpassed its correlations with other constructs, satisfying Fornell-Larcker standards (see Table 3). HTMT values were consistently below 0.90, well within the acceptable range (Sarstedt et al., 2014), indicating distinct and well-differentiated constructs (see Table 4). These findings collectively affirm the measurement model's suitability for subsequent structural analysis.

Table 3: Discriminant Validity Using Fornell-Lacker Criterion

Variables	DE+	DM	FE
DE	.767		
DM	.449	.808	
FE	.791	.387	.792

Table 4: Discriminant Validity using HTMT

Variables	DE	DM	FE
DE			
DM	0.458		
FE	0.849	0.389	

Structural Model Assessment

Following the evaluation of the measurement model, the structural model was analyzed using a bootstrapping technique with 10,000 resamples. The model's explanatory power, predictive relevance, and overall fit were rigorously examined using established criteria. Upon completion of these tests, the hypotheses were rigorously examined.

To begin, collinearity diagnostics were conducted to ensure that multicollinearity among predictor constructs did not bias the path coefficients. Variance Inflation Factor (VIF) values were all below the conservative threshold of 3 (Hair et al., 2013), confirming the absence of collinearity concerns and validating the independence of DE and FE within the model.

The model's explanatory power, measured by the coefficient of determination (R^2), indicated that 28% of the variance in decision-making behavior was accounted for by DE and FE. This represents a moderate effect size and suggests meaningful explanatory relevance in the context of behavioral finance research. Further, effect size (f^2) calculations revealed small to moderate impacts of DE (0.143) and FE (0.112) on decision making, confirming their substantive influence while highlighting areas for further investigation.
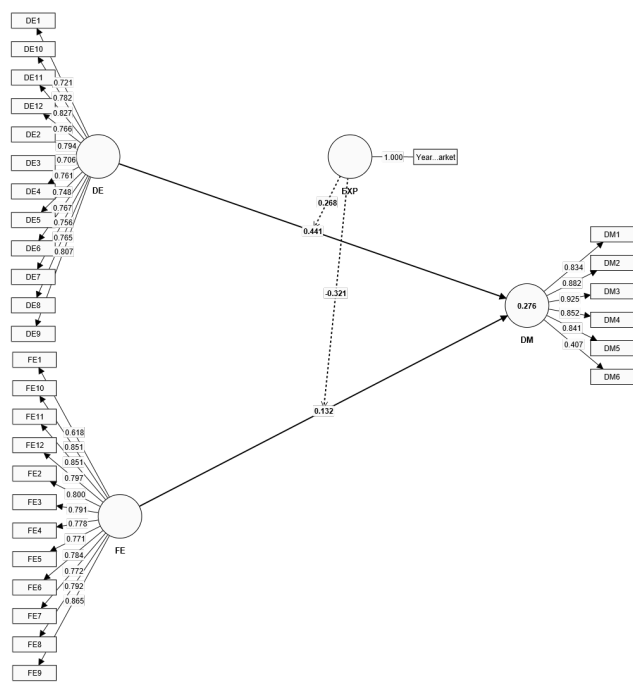
Figure 2: Structural Path Diagram

To validate the predictive accuracy and overall fit of the model, key fit indices were evaluated. The Standardized Root Mean Square Residual (SRMR) was 0.052, well below the recommended maximum of 0.08 (Sathyanarayana & Mohanasundaram, 2024), indicating minimal residual variance and a well-specified model. Additionally, the Normed Fit Index (NFI) was 0.831, suggesting good relative fit and reinforcing model robustness.

Table 5: Structural Path Analysis

Structural Path	Beta (β)	STD	t-value	p-value	Empirical Evidence
H1: FE->DM	0.144	0.091	4.764	0.122	Not Supported
H2: DE->DM	0.435	0.061	3.091	0.001	Supported
H3: EXP x FE -> DM	-0.326	0.093	1.547	0.001	Not Supported
H4: EXP x DE -> DM	0.266	0.083	3.214	0.001	Supported

The findings indicate that the FE (H1) does not significantly influence DM (β = 0.144, p = 0.122), suggesting that how information is presented may not directly alter investment decisions in this context. Conversely, the DE exhibits a strong and significant positive influence on DM behavior (H2; β = 0.435, p < 0.001), confirming that investors' tendencies to prematurely realize gains or hold losses impact their investment choices adversely. In addition, the moderating role of years of experience on FE (H3) reveals a significant negative interaction (β = -0.326, p = 0.001), implying that greater experience diminishes framing biases, thereby promoting more rational decisions. Importantly, years of experience significantly moderates this relationship (H4; β = 0.266, p = 0.001), indicating that experienced investors are better able to mitigate the negative impact of the disposition effect on their decisions.

Discussions

This study sought to examine how the disposition effect and information framing shape Nepalese investors' decision-making behavior, along with the moderating role of investment experience. Drawing on behavioral finance theories such as prospect theory (Kahneman & Tversky, 1979) and mental accounting (Thaler, 1980), this discussion integrates empirical findings with existing literature and contextual insights. Contrary to extensive behavioral finance literature suggesting that how information is framed significantly sways investment decisions (Tversky & Kahneman, 1981; Odean, 1998), our findings reveal that the framing effect does not significantly influence Nepalese investors' decision-making. This outcome diverges from studies in developed markets where framing manipulations, such as presenting identical gains as losses, alter investor choices (Levy & Levy, 2002; Montier, 2007). One plausible explanation lies in the relatively low financial literacy and high reliance on informal networks in Nepal (Shrestha & Shrestha, 2020), which may cause investors to base decisions more on peer signals or heuristics than on nuanced information presentation. Alternatively, the emergent capital market in Nepal, characterized by speculative trading and herd instincts (Neupane & Neupane, 2021), may blunt the typical framing sensitivities observed elsewhere.

Consistent with robust global evidence, the disposition effect exerts a significant positive influence on investors' decision-making. This aligns with the foundational work by Shefrin and Statman (1985), which established investors' proclivity to sell winning stocks too early while holding onto losing stocks, a bias rooted in loss aversion under prospect theory. Studies across diverse settings, including Kim & Nofsinger (2008) in emerging Asian markets, have documented similar behavioral patterns. In Nepal, this pronounced disposition effect could be exacerbated by speculative motives and limited diversification, where retail investors predominantly hold few stocks and display emotional attachment to them (Bhattarai & Sharma,

2019). This finding highlights the persistent influence of psychological biases over rational valuation frameworks, emphasizing the need for investor education initiatives that address such behavioral pitfalls.

Interestingly, investment experience significantly moderates the relationship between framing and decision-making, though the interaction is negative. This suggests that seasoned investors are less susceptible to framing biases, corroborating studies by Dhar and Zhu (2006) and Kaustia (2010), which observed that market experience fosters cognitive recalibration, reducing overreliance on superficial cues. This aligns with the concept of "learning by trading," where repeated market participation tempers behavioral anomalies (Seru et al., 2010). In the Nepalese context, given that many retail participants gain market knowledge informally over the years due to sparse formal advisory services (KC & Dhakal, 2022), experience emerges as a critical buffer against framing-induced irrationality.

Finally, years of experience also significantly moderate the relationship between the disposition effect and decision-making. This finding indicates that while experience can reduce certain biases like framing, it does not eliminate, and may even intensify, the behavioral propensity tied to the disposition effect. Similar complexities have been reported by Feng and Seasholes (2005), who found that while learning reduces trading mistakes, emotional biases like the reluctance to realize losses often persist, tied to deeper psychological anchors. For Nepalese investors, long-standing engagement with volatile markets might entrench some heuristics, particularly under cultural influences emphasizing patience and hope for recovery (Adhikari & Sapkota, 2020). This highlights the layered nature of behavioral biases, where experience interacts differently across bias types, suggesting tailored interventions are needed: while general market education may reduce framing errors, addressing the disposition effect may require more targeted behavioral nudges or policy designs such as automated stop-loss mechanisms.

Conclusion and Implications

This study enriches the behavioral finance discourse by evidencing how classical biases manifest within Nepal's nascent equity market, moderated by experiential learning. Specifically, the findings highlight that the disposition effect exerts a strong and significant influence on investors' buy-sell decisions, reaffirming the deep-rooted psychological biases tied to loss aversion and mental accounting. Conversely, information framing was found not to significantly shape investment choices, suggesting that in Nepal's speculative and peer-influenced market environment, how financial information is presented holds limited sway. Importantly, years of investment experience emerged as a critical moderating force: while it mitigates framing-induced irrationalities, it does not entirely temper, and may even deepen, disposition-driven tendencies.

The findings contribute to behavioral finance literature by contextualizing classical theories, such as prospect theory and mental accounting, within a nascent capital market like Nepal. They highlight that while the disposition effect consistently holds across settings, the framing effect may be less universal, possibly moderated by market maturity, investor sophistication, and socio-cultural factors. Furthermore, the moderating role of experience suggests that behavioral learning does not uniformly reduce all biases, inviting refinements to existing models that often treat investor learning as broadly corrective.

For investors and financial advisors, these results emphasize the importance of recognizing personal behavioral tendencies, especially the strong pull of the disposition effect. Experience, while beneficial in reducing certain cognitive shortcuts like framing susceptibility, does not automatically translate into rational disengagement from loss-anchored biases. Thus, personalized training programs that go beyond generic financial literacy, targeting specific biases, could be instrumental. Given that a large share of Nepal's investing population relies on informal networks and social cues, the findings highlight the social propagation of behavioral biases. Peer-driven investment communities may inadvertently reinforce the disposition effect. Awareness campaigns that engage such networks could therefore be critical in fostering healthier collective investment behavior. Regulators and market institutions should consider behavioral safeguards. For instance, introducing mechanisms like pre-commitment stop-loss options or mandating clearer disclosures on behavioral risks could help investors counteract ingrained tendencies. Additionally, fostering structured advisory ecosystems can reduce overreliance on informal channels, thereby enhancing rational decision-making frameworks across the investor base.

Limitations and Further Research

Future research could adopt longitudinal or experimental methodologies to more precisely capture how behavioral biases evolve with market cycles and personal financial outcomes. Future research should explore qualitative narratives behind these decisions to uncover deeper cultural and psychological underpinnings, thereby enabling more contextually attuned investor education and market regulation strategies. Comparative studies across emerging and developed markets would also deepen understanding of how institutional maturity and cultural factors shape the manifestation and moderation of behavioral biases, ultimately informing more targeted investor education and policy interventions.

Conflict of Interest

The authors declared having no conflict of interest in the research work.

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Ethical Statement

This study did not require ethical approval as it involved no human or animal subjects; however, the authors affirm its originality and adherence to established research ethics and standards.

Authors' Contribution and ORCID iDs

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