



Determinants of Investors' Awareness of Online Trading in the Nepal Stock Market: An Empirical Assessment Using Binary Logit Model

Ashish Budhathoki¹ , Niranjan Devkota^{2*} , Sushanta Mahapatra³ ,
Bhim Prasad Panta⁴ , Udaya Raj Paudel⁵ , Ghanashyam Khanal⁶ ,
& Krishna Dhanusk⁷ 

¹Everest Bank Limited, Kathmandu, Nepal

²Kathmandu Model College, Tribhuvan

University, Bagbazar, Kathmandu, Nepal

³ICFAI Business School (IBS) Hyderabad,

ICFAI Foundation for Higher Education

(IFHE), Deemed University, Hyderabad,

India

⁴National Economic Concern society, Nepal

⁵Quest International College, Pokhara

University, Gwarko, Lalitpur, Nepal

⁶College of Forestry, Wildlife and

Environment, Auburn University. Auburn,

AL, USA

⁷Rudersdal Kommune, Denmark

*Corresponding Email:

niranjandevkota@gmail.com

Received: August 8, 2023

Revised: October 16, 2023

Accepted: November 18, 2023

Published: December 30, 2023

How to cite this paper:

Budhathoki, A., Devkota, N., Mahapatra,

S., Panta, B. P., Paudel, U. R., Khanal, G.,

& Dhanusk, K. (2023). Determinants of

Investors' Awareness of Online Trading

in the Nepal Stock Market: An Empirical

Assessment Using Binary Logit Model.

Quest Journal of Management and Social

Sciences, 5(2). <https://doi.org/10.3126/qjmss.v5i2.60870>

Copyright © 2020 by authors and

Quest Journal of Management

and Social Sciences.

This work is licensed under a Creative

Commons Attribution-Non Commercial-No

Derivatives 4.0 International License.

[https://creativecommons.org/](https://creativecommons.org/licenses/by-nc-nd/4.0/)

[licenses/by-nc-nd/4.0/](https://creativecommons.org/licenses/by-nc-nd/4.0/)



Open Access

Abstract

Background: Online trading is becoming a prominent method of conducting stock exchanges through web platforms. While many regions worldwide have embraced online trading, its introduction in Nepal is relatively recent. The Nepalese stock market is considerably smaller than its neighboring nations, highlighting the significance of capital in a country's economic progress.

Objective: The main objective of this paper is to investigate the factors that influence investor awareness of online trading within the Nepal Stock Exchange. The study focuses on investors who engage in stock market activities online, examining the variables of better online trading (dependent variable), facility in online trading, and investors' intention to invest (independent variables) in the context of online trading in Nepal.

Methods: To achieve this objective, the study employed a non-probability convenience sampling technique, selecting 403 samples from the population of online investors. The research process incorporated three key instruments: expert opinions, structured questionnaires for surveys, and observational data collection.

Results: The study's findings reveal that the majority of investors (83.4%) in Nepal possess a comprehensive awareness of online trading. Notably, the primary source of this awareness is brokers, accounting for 58% of investor knowledge dissemination.

Conclusion: This research underscores the growing awareness of online trading within the Nepal stock exchange. Although Nepal's stock market is relatively diminutive compared to neighbouring nations, brokers play a vital role in educating investors about online trading. As investor interest in online trading rises, stakeholders and regulators must adapt to this evolving financial landscape.

Implications: Understanding the factors that drive awareness and participation in online trading is critical for the development and growth of the financial sector in Nepal. Stakeholders must enhance educational efforts and facilitate investor-friendly policies further to bolster the online trading ecosystem in the country.

Keywords: Online trading, Stock market, NEPSE, SEBON, Nepal

JEL Classification: G24; G32

Introduction

Online exchanges are being conducted for stock exchanges on the web utilising a few websites. Such businesses have an incredible part in developing patterns, and online trade incorporates an extraordinary effect over numerous money-related administrations comprising check composing, credit and charge cards, and electronic charge paying. The online exchange forms the comprehensive bulk of buying and offering of bonds, stocks, and other ventures. All of these come beneath online exchange. In this sense, Huang et al. (2005) argued that the financial industry has historically relied more heavily on IT than many other industries. In addition, the real situation of all the trade patterns broadened the commerce exchanges of their products and administrations. Truly, it features an incredible effect on their trade deal (Shrestha & Subedi, 2014). Since its presentation in 1995, the online exchange has expanded drastically. The advancement of ICT has accelerated small and medium enterprises, fuelling online exchange (Devkota et al., 2023). Further, the online exchange has, on a very basic level, changed the securities advertised and is anticipated to proceed to be an esteemed choice for speculators (Li et al., 2002; Parajuli et al., 2021; Devkota et al., 2022).

Regarding the Asian experience, despite the legalisation of online trading in late 1997, internet-based trading did not take off immediately. After the Asian economic crisis, online equity trading in Korea has grown to be the world's highest trading (Kang, 1997). Vaidya (2021) has asserted that among the ten sectors classified by NEPSE, only banks, development banks, finance companies, and micro-finance are overseen by Nepal Rastra Bank, and life-insurance companies, non-life insurance companies, and reinsurance companies are reigned by Beema Samiti (Insurance Board). In addition, regarding the favourable situation of digital transactions in Nepal, Tandukar et al. (2021) argued in their study conducted in Kathmandu Valley that among various digital banking services, mobile banking (32%) is the most commonly used service by all banks. Online banking is the second most widely used service (27%).

So, the Nepalese market can be a fertile ground for online trading. Further, Shrestha (2012) discovered that the market price per share was the determining factor in NEPSE securities trading, and investors believed that the size effect was the most important firm variable influencing stock returns. Devkota et al. (2021) argued that while many countries around the world have already adopted online trading, it was only recently introduced in Nepal, and even Nepalese stock advertising is extremely low in comparison to neighbouring countries. Moreover, Upadhyay (2020) mentioned that stock trading via dematerialised (DEMAT) accounts is a new trading mechanism in Nepal's financial market, and on August 17, 2015, the depository system was fully operational. According to Shrestha (2012), political insecurity has been a major impediment for Nepalese investors seeking a higher return on their stock market investments, and rumours about listed companies in the Nepalese stock market have increased market volatility. Moreover, Risal and Khatiwada (2019) maintained that Nepalese investors made rash decisions based on herd behaviour when investing in NEPSE. In this regard, this paper aims to explore the determinants of investor's awareness on Online Trading in the Nepal stock market.

The study is organised as follows: Section two presents a literature review. Section three covers the methods used in the study; section four includes the results and discussion; and section five concludes the study.

Literature Review

Status of online trading in Nepal

The history of the capital showcase in Nepal dates back to 1936 when Biratnagar Jute Plants Ltd.'s offers were made. In 1937, Tejarath was set up to encourage government workers' credits and was changed to Nepal Bank Ltd. Nepal government enacted the Company Act in 1964, and the primary

issue of government bonds was made within the same year through Nepal Rastra Bank to gather the formative consumptions. It carried a six per cent rate of intrigue and had a development period of five a long time (Gurung, 2006). In 2050 BS, the Securities Exchange Center was transformed into NEPSE after the Securities Trading Act 2040 amendment. Regular trading has been started on Poush 29, 2050, with the calculation of the NEPSE Index (Adhikari & Kumar Jha, 2017). SEBON was also established as the autonomous body to regulate securities transactions. In the same year, NCM Mutual Fund, Nepal's first mutual fund, existed.

Nepalese stock advertising is exceptionally low compared to other neighbouring nations. Capital plays a crucial part in the financial advancement of a nation. Being a capital-deficient country, Nepal has to make each endeavour to mobilise accessible capital viably (Chou & Lee, 2009). Securities are money-related resources. Security markets are instruments made to encourage the trade of monetary resources. Hence, the showcase exists in order to bring together the buyers and dealers of securities. Capital advertisements are the instruments planned to encourage the trade of money-related resources by bringing orders from buyers and sellers of securities together. Stock advertising has been a worldwide marvel within the show world, in any case of the estimate of any specific locale (Dahal, 2010).

Although Nepal's stock showcase includes a slant towards an organised stock showcase after the reclamation of the vote-based system, this is seen as a huge quantitative development amid past situations. However, there are still numerous challenges and complexities arising in this segment (Sakthivel & Saravanakumar, 2019). Furthermore, speculators are losing certainty on the execution of shares due to this involvement of false and shameful exercises attempted by a modest bunch of advertising swindlers. The expansive number of speculators and common people are still obscure on money-related advertising, which is the most important issue in Nepalese capital advertise (Dhungana, 2010).

Most financial specialists are not well-informed about what ought to be the cost of stock. So, financial specialists are not levelheaded and cannot induce an ideal advantage from their venture. Due to ravenousness for speedy pickup from the share advertise, speculators are becoming more guileless and prepared to take after the off-base exhortation from the brokers (Hou, 2015). In this way, the need for satisfactory information to financial specialists, showcase clutters, cost control, false share showcase exercises, etc., are all taken over together, standing as a boundary to improving Nepalese stock advertising (Shrestha & Subedi, 2014).

Nepalese stock advertising is additionally characterised by exchanging volume, nonappearance of proficient brokers, early organisation of development, constrained development of share costs, and constrained data accessible to financial specialists (Martani, Sinaga, & Syahroza, 2012). Close to these, political precariousness and impedances, hostility to government exercises, financially lopsided characteristics, incapable execution of generous financial approach, need for reasonable laws, etc., are the burning issues in Nepalese stock advertising. Due to the need for different required data, speculators are confounded about which stocks are terrible and which are great. They are indiscriminately contributing to offers, i.e. they are failing to 'beat' the correct 'time' to buy or deal with the securities (Dahal, 2010).

Methodology

The Model

How investors estimate the probability of investing in online trading and knowing the status of online trading by their awareness is a major concern for this study. To check this fact, we applied a binary logit model. The dependent variables in the logit model are observed by investor's awareness (i.e., attributes of the facility in online trading and its intention of the investors) with selected independent variables as presented in Table 1. Following the study of Devkota et al. (2018), a binary logit model was selected

to identify the significant variables that determine the status of online trading and its effectiveness. The model is given as:

$$[P_i/1 - P_i] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k \dots\dots\dots (1)$$

Here, P_i = probability of the outcomes, β_0 = Intercept term, $\beta_1 \dots \beta_k$ = Coefficient and $X_1 \dots X_k$ = Independent Variables. For the study's empirical analysis, a logit regression model was selected to identify the significant variables that determine online trading awareness among the investors in the study area. The logistic regression equation is used to ascertain variables influencing online trading practices. Based on the model, the final equation is:

$$Y = \beta_0 + \beta_1 \textit{sex} + \beta_2 \textit{age} + \beta_3 \textit{marital_status} + \beta_4 \textit{self_involve} + \beta_5 \textit{benefit} + \beta_6 \textit{challenges} + \beta_7 \textit{money_back} + \beta_8 \textit{confirmation_receive} + \beta_9 \textit{SEBON_policy} + \varepsilon \dots\dots\dots (2)$$

Here, the dependent variable is investors' awareness, and the independent variables are sex and eight other variables, as presented in Table 1.

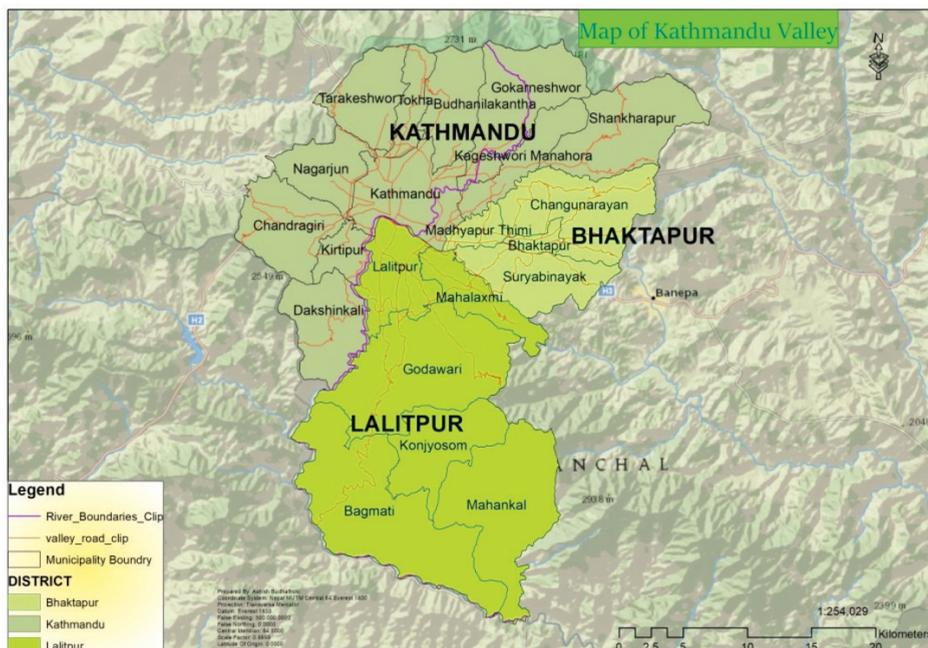
Table 1. Variable Table

Variable	Description	Value	Expected sign
<i>sex</i>	Investors' sex	1 = Male, 0 = otherwise	±
<i>age</i>	Investors' age	In Years	±
<i>marital_status</i>	Investors' marital status	1= Yes, 0 = otherwise	±
<i>self_involve</i>	Self-involved or use third party for investment	1= Yes, 0 = otherwise	±
<i>user_friendly</i>	Online trading is user-friendly	1= Yes, 0 = otherwise	±
<i>benefit</i>	Benefit of online trading	1= Yes, 0 = otherwise	±
<i>challenges</i>	Any challenges faced by investors	1= Yes, 0 = otherwise	±
<i>money_back</i>	Broker sending money to investors	1= Yes, 0 = otherwise	±
<i>confirmation_receive</i>	Receive any confirmation of trading	1= Yes, 0 = otherwise	±
<i>SEBON_policy</i>	Investor is aware of SEBON online policy	1= Yes, 0 = otherwise	±

Study Area

Kathmandu Valley of Nepal was chosen for the study area. Out of the 77 districts in Nepal, three districts in Kathmandu Valley (Kathmandu, Bhaktapur, and Lalitpur) situated in Province 3 were taken for the study area of this research. The total population of Kathmandu is 1,442,271, which is the largest population district of Nepal (Adhikari et al., 2021). This study area was suitable for the study because most of the online trading brokers are situated around this area.

Figure 1. Study Area



Source: Researchers' own estimation using ArcGIS 10.2

Population and Sample

The population of this study is those investors who invest in the stock market online. This study is based on the sample size determination formula developed by Israel (1992) as $n_0 = z^2 pq / l^2$. Here, n_0 = sample size required for the study, Standard tabulated value for 5% level of significance (z) = 1.96, p = prevalence or proportion of an event 50 % = 0.50. Allowing both tolerable and non-response errors at a 5% level, the sample size required for the study is 403.37 (~404). Thus, the sample size taken for the study was $(384.16 + 19.21) = 403.37 \sim 404$. For the selection of the sample, the convenience sampling technique of the non-probability method was applied.

Data Collection Instrument and Analysis

During the research process, three instruments are followed: expert opinion, survey with questionnaire, and observation. As experts, Ananda Kumar Bhattarai, the deputy CEO of NEEV securities, and Bhim Prasad Panta, a professional investor in the share market, have provided advice on the way forward for interlinking our study. A structured questionnaire is used to collect the information from the investors. The final questionnaire set was converted into KoBo Toolbox in order to collect it both offline and online according to the convenience of the participants and to ease data entry. We pretested the questionnaire before finalising it in its precise form. A total of 403 responses were collected as per the sample formula. Both descriptive and inferential analysis methods were used for data analysis. STATA software was applied for logistic regression analysis.

Result and Discussion

Socio-demographic Status of Respondents

This section describes the socio-economic status of respondents investing in the share market. Sex, age, education level, family types, marital status, income and training are taken as components to

understand their socio-economic status. In our study, 75% of respondents are male, and 25% are female. Earlier studies made by Jafarpour and Oskuee (2006) also show that most of the online trading respondents are male and fewer are female. Friedberg and Webb (2006) mentioned that households tended to invest more heavily in equities when husbands held more decision-making power. This study finds that investors between the ages of 20 to 30 years are more active in online trading (51.61%). Likewise, investors from age groups below 20, 30 to 40, and above 40 are found to be 3.97%, 30.27%, and 14.14%, respectively. In this sense, Jafarpour & Oskuee (2006) explained that ages above 25 are more active in share trading. Moreover, for investment decisions, education on the share market plays a vital role in determining these results (View, 2010). As Li et al. (2002), higher-level school graduate investors are more likely to participate in online trading. This study finds that 92% of investors are graduates. In addition, respondents who are high school graduates and postgraduates level are 7.69% and 16.63%, respectively. Further, this study observed that investors are primarily from a joint family (i.e., 70%) compared to a nuclear family (30%).

Marital status is another key determinant of investors' decision-making. This study finds that 73.2% of investors are married. Li et al. (2002) observed in their study that more than 54.4% of investors are married. Furthermore, in terms of income level, 14% of the investors are from below two lakhs annual income, 33% of the investors are from two to four lakhs income, 27% have come from four to six lakhs income, and 26% have come from the income brackets of above six lakhs annual income. The increase in income indicates the rise of a new investment channel, which is the corporate assets of overseas or other large blue-chip companies (Sharif et al., 2015). Ideally, the more income a participant has, the more chances of actively participating in trading he has. Finally, training also plays a key role in the investor's participation and knowledge of online trading from an investor's perspective (Tuan, 2012). Our study observed that only 56.58% of respondents have proper training regarding share trading. Investors who have training regarding online trading are more active in transactions.

Respondents' Awareness of Online Trading

This part of the analysis explains the awareness level of the online trading of the stock in Nepal. The study reveals that most of the respondents (83.4%) are involved in and fully aware of online trading, and a few of them (16.6%) said that they are not aware of online trading. The major source of their awareness is a broker (58%), media (13%), internet (13%), institute (8%), news (5%) and family (3%). It is also observed that 85% of the respondents are self-involved in the online trading of the stock market, while only 15% of the respondents are not self-involved in the share market investment. More than half of the respondents (57%) agreed that they had training for online trading before using the share market. This study also found that 19% of the respondents who are not involved in the training and are not self-involved in online trading used third-party support for their investment purpose. 24% of the respondents who have not received training are self-involved in online trading, and 55% of the respondents who have received training are self-involved in the online trading of shares.

Further, 1% of the respondents who have done training are not self-involved in online training. The people who have training are more aware (98.6%) about online trading than those who do not (80.6%). It indicates that the investors who do not have training are less aware of online trading.

Respondents' Awareness, Opinions and Intentions about the current online trading system

Now, 60% of investors said the online trading system is user-friendly, whereas the other 40% reported that they did not find it user-friendly. Flexible, less time-bound, more convenient, gives easy options to use, trading online and getting payment online, more controllable, easy to understand, can be used from any place, option to monitor investments in real-time, easy login, etc. are the responses. 45% of respondents have agreed that the broker service will confirm their trading immediately. In addition, the

remaining have disagreed with this point (55%). Furthermore, 50% of the investors are satisfied with the brokers' service, 38% of the investors responded moderately, 10% are dissatisfied with the brokers' service, and 2% are highly dissatisfied with the brokers' services.

In this study, we found that most of the investors (63%) use their own personal use and their family money while investing in the stock market. Only 6% of the stock market investors are professional investors, and the remaining 31% use both ways of investing. While making the payment of their investment, 56% of respondents used online transfer as a payment gateway, 19% used both cheque and cash payment equally, and 6% responded that they used other ways. 25% of the respondents preferred high risk with high return, 14% preferred low risk with low profit, and 61% used both ways for profit. The analysis also plays a vital role while investing in the share market. 25% of them have used only fundamental analysis while investing, 1% used only technical analysis, and 72% used both fundamental and technical analysis.

While trading online, there can be certain benefits. This study shows that 72% of the investors are aware of the benefits, 2% of them said there is no benefit, 24% of the investors asserted that there might be benefits, but they might not know, and the remaining 2% of them had no ideas about the benefits. On comparing online and offline trading, 12% of respondents expressed that there is an extremely high benefit from offline trading; 58% said that there is a high benefit; 28% of them presented there is a moderate benefit, and 2% of the interviewees said that there is a low benefit as compared to offline trading. Regarding the effectiveness of online trading, we found that 74% of the investors explained there is a cost advantage; 14% of them asserted there might be a cost advantage, and the remaining said there is no cost advantage of online trading. Regarding the decision to issue a broker license to the bank, we found out that 77% of the investors agreed with the point, whereas 8% disagreed with it, and the remaining 15% said there might be some advantages.

In this study, the respondents' responses regarding the use of online trading during COVID-19 are discussed. Although the question was asked to know how the virus affects their online trading, we found out that there was a positive aspect, too. On the use of the digital wallet, most of the responses were such that the fluctuation in rates was high, and they had less money for the investment, more communication gaps, low bandwidth with more users, and the server often crashed during the pandemic.

Regression Analysis

Pre and Post Estimation Test

Pre-estimation tests: We test specification error, goodness of fit and other diagnostics under this section. Specification error is tested to determine whether the model is specified properly. It should not be able to find anything statistically significant. In our model, the F value is statistically significant, i.e., 0.000, which is lesser than 0.05 and the value of F that sq is 0.523, which is more than 0.05, which is statistically significant. Therefore, the results confirm that there is no specification error. Another commonly used test of model fit is Hosmer and Lemeshow's goodness-of-fit test. The idea behind Hosmer and Lemeshow's goodness-of-fit test is that the predicted frequency and observed frequency should match closely, and the more closely they match, the better they fit. Since the p-value from the test is 0.995, which is more than 0.05 or 5%, we can say that this model fits the data well. Hosmer and Lemeshow's goodness of fit indicates our model fits the data well. We tested other measures of the model as well as model fit. The value provides many diagnostic results of the data sets. It provides readers with a meaningful insight into the fitness of the dataset. Since the count R2 is 0.876, which is more than 0.7, we can say that the dataset is fit.

Post-estimation tests: Under the post-estimation results section, we test multicollinearity and heteroscedasticity, which helps to test whether there is repetition in the data sets or not. Multicollinearity happens when independent variables in a regression model are related. This correlation is an issue since

independent factors should be independent. In the event that the level of correlation factors is sufficiently high, it can cause issues when you fit the model and decipher the results (Braun et al., 2007). The results show that all the independent variables have a tolerance of more than 0.1, and the VIF is less than 10. Likewise, the mean VIF is 1.61, which shows that the data set has no multicollinearity. Therefore, the data can be further analysed. Salkind (2013) and Khaizu et al. (2022) state that heteroscedasticity is a precise change in the spread of the residuals over the scope of measure esteems. Heteroscedasticity is regularly viewed as instances of linear regression through the cause, in spite of the fact that it, in no way, shapes the impediment of its convenience. To understand our data set, which indicates outliers in the data set, we perform heteroscedasticity test. From the test, it is observed that there is a heteroscedasticity problem in this existing data set because the p-value of the data is less than 0.05. Hence, we perform robust standard error tests to rectify the mentioned problem in data sets. Therefore, the robust final regression result is performed to correct the problems in the data set.

Correlation and Regression Result

Correlation is a statistical measure showing the degree to which at least two factors vary. Correlation coefficients are communicated as values between +1 and -1 (Chandler & Swartzentruber, 2011). The result shows that gender, marital status, awareness of online trading, training, self-involvement, user-friendly system, broker services, and secure trading have positive relations by improving online trading. That explains that online trading is effective for those who are highly aware of online trading, those who have received training courses and those who are self-involved in the trading sectors. Better online trading has a positive relation with other variables such as 0.214 with gender, 0.076 with less positive relation with age, 0.05 with family type, 0.03 with marital status, -0.35 with income level, which is a negative relation, 0.42 with moderate positive relation with awareness, 0.26 with training, 0.23 with self-involvement and so on.

Table 2. Binary Logistic Regression Analysis

VARIABLES	(1) Logit Model	(2) Odds ratio	(3) Marginal effects
Online share trading awareness			
sex	4.350*** (1.111)	77.49*** (86.08)	0.125*** (0.0282)
age	-0.220** (0.0936)	0.802** (0.0751)	-0.00635** (0.00300)
marital_status	0.967 (2.036)	2.630 (5.355)	0.0279 (0.0572)
self_involve	4.717*** (0.965)	111.8*** (107.9)	0.136*** (0.0260)
user_friendly	3.498*** (0.802)	33.05*** (26.50)	0.101*** (0.0321)
benefit	1.396 (0.915)	4.039 (3.695)	0.0402* (0.0222)
challenges	-1.268 (1.231)	0.281 (0.346)	-0.0366 (0.0368)
money_back	1.568*** (0.608)	4.797*** (2.918)	0.0452** (0.0208)

conformation_receive	1.408 (1.317)	4.089 (5.383)	0.0406 (0.0328)
SEBON_policy	2.720*** (0.933)	15.18*** (14.16)	0.0784** (0.0352)
Constant	-0.290 (4.305)	0.748 (3.220)	
Observations	368	368	368

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Note: dy/dx for factor levels is the discrete change from the base level. Robust standard errors are in parenthesis.

Source: Researchers' calculation from field data

These regression results are related to factors determining investors' awareness of online trading in Kathmandu Valley. The result generated from Table 2 depicts those five variables, i.e., sex, self-involvement, user-friendly online trading, immediate money back and awareness of SEBON policy, which are statistically significant at 1%. In contrast, one variable, i.e., sex, is negatively significant at 5%. Thus, the model depicts that person as a male as self-involved, with user-friendly online trading, immediate money back, and awareness of SEBON policy, which has played statistically significant roles in creating awareness of online share trading. It indicates that awareness can increase among investors by enhancing these variables. However, investors' age is negatively significant with online share trading, meaning that the higher the age of the investors, the less likely they are to participate in online trading. Looking at the odds ratio, our result indicates that change in the dependent variable can be influenced by self-involvement in online trading (111.8 times), sex (77.8 times), user-friendly online trading (33.05 times), awareness of SEBON policy (15.18 times), and immediate money back (4.79 times). Similarly, the marginal effect indicates that person as a male, with an increase in self-involvement, user-friendly online trading, immediate money back and awareness of SEBON policy can increase investors' awareness level by 12.5%, 13.6%, 10.1%, 4.5% and 7.8% respectively.

Several studies, including studies by Jafarpour and Oskuee (2006), Chou and Lee (2009), Lieberman et al. (2009), View (2010) and Rana (2017) have been conducted to measure online trading effectiveness in different parts of the world. Such studies also argued that online trading depends on people's awareness and attitude. Further, J View (2010) has mentioned that most male investors are more actively participating or are involved in share market trading and analysis. Friedberg and Webb (2006) found that households tended to invest more heavily in equities when husbands held more decision-making power. They explained that the older the age of the husband and having a say in financial matters, the higher the household's wealth. Likewise, husbands older than the age of the wife and had the final say, household wealth was significantly higher (Rana, 2017). Some investors invest on their own will and involve on the investment by themselves. Some investors invest their family money or others. According to Chou & Lee (2009), better facilities for online trading status have positive impact. The preparation for online trading that investors need, monitoring requirement, fake gurus and frauds are also mentioned. In this regard, Lieberman et al. (2009) questioned: What do they effect on online trading? The continuation of the study is meaningful.

Conclusion and recommendation

This paper investigates the factors influencing investor awareness of online trading in the Nepal Stock Exchange. The conclusion of our study has provided valuable insights into the dynamics of this rapidly evolving financial landscape. The findings of this study highlight several key takeaways. First and foremost, a significant majority of investors in Nepal (83.4%) are well-informed about online trading, with brokers playing a pivotal role in disseminating this knowledge. This underscores intermediaries'

critical role in educating potential traders about the advantages and opportunities associated with online trading.

Furthermore, it is heartening to note that a substantial proportion of these investors (85%) are self-reliant when it comes to engaging in online trading. This self-involvement speaks to investors' increasing autonomy and confidence in navigating the complexities of the stock market. Training, unsurprisingly, emerges as a significant factor in increasing awareness, with those who have received training demonstrating a much higher degree of awareness (98.6%) about online trading. This suggests that educational initiatives and training programs have a tangible impact on investor knowledge and engagement in the online trading sphere. One particularly encouraging finding is that most investors (60%) found the online trading system user-friendly, indicating that user interfaces and platforms are becoming increasingly accessible and intuitive for users. The cost advantage provided by online trading is not lost on investors, with a significant portion (74%) recognising the economic benefits associated with this mode of investment. In terms of the statistical analysis, the study's model has identified several factors that positively correlate with online trading, including gender, marital status, awareness, training, self-involvement, user-friendly systems, broker services, and secure trading. This underlines the multifaceted nature of investor behaviour in the online trading landscape.

In a nutshell, the results of this study shed light on the growing awareness and popularity of online trading in the Nepal Stock Exchange. They emphasise the role of brokers, training programs, user-friendly platforms, and cost advantages in driving this trend. Moreover, the positive correlation between various factors and online trading suggests Nepal's dynamic and evolving financial ecosystem. As investors increasingly take control of their investments, it is crucial for regulators, brokers, and market participants to adapt and provide a supportive environment that caters to their evolving needs and expectations. These findings benefit investors and serve as a valuable reference for policymakers and industry stakeholders as they navigate Nepal's ever-changing landscape of online trading. Since this study has been limited to Kathmandu Valley, the generalisation obtained from this study may not be applicable to other parts of the country. However, there are important areas that need further research. Among a few future research prospectuses, this topic can be studied from a wider perspective, and focuses can be further expanded among the entire country's people. Moreover, this topic can also be studied from different angles and perspectives.

Based on the results of the research, the following recommendations are forwarded for the consideration of concerned investors, brokers, policymakers, and government.

- **Provide training regarding online trading:** The study found that 43.61% of the respondents have not obtained proper training. If the concerned organisation can provide training classes for the investors, the trading can be maximised. One of the reasons for economic enhancement is trading. Therefore, if the investors are more active in trading, eventually, the country's economic condition will improve.
- **Improvement of Brokers' services:** Although 60 per cent of the investors have agreed on better broker services, the remaining 40 per cent didn't agree. If the broker's focus on the quick connection with the investors and betterment confirmation of trading towards the investors is maintained, the status of online trading would be better. Not only should the government be involved in the betterment of trading, but individuals and brokers should also actively partake in its betterment.
- **Advanced Payment System:** The study found that most investors use E-payment gateways or online transfers. A few percentages still use cash and cheques for payment, so there is a need to upgrade to an advanced digital payment system.
- **Update TMS:** The trade management system in Nepal is an online trading system used by investors. Even though most of the investors said that the system is user-friendly and better than offline trading, there have been frequent problems due to the server. This situation suggests that

the system software or server needs to be updated for a better online trading system in Nepal.

- **Fake gurus and Inexpert Brokers elimination:** As per the research, we have found that 90% of the investors agree that fake gurus exist in the share market. The government should only give licenses to brokers with well-known knowledge about trading, which can result in a better online trading status in Nepal.
- **Political Stability:** Most of the respondents have answered that the challenges in online trading come from the fluctuation of the political scenario in Nepal. If political stability is maintained, the online trading market can expand better.
- **Broker license to the bank:** Providing the broker's license to the bank is another option for the government to reduce security threats and fraud in the share market. That will eventually lead towards less time-consuming processes and betterment of financial sector development in Nepal.
- **Mobile app for trading:** Although the government has initiated the mobile app for online trading, it is not widely used because of its many flaws and errors. The government can enhance information technology sectors to reduce these flaws and errors.
- **Better policies and regulations:** The Securities Board of Nepal is responsible for regulating the entire securities market in Nepal. To make the Board effective, the number of staff should be adequately trained in all aspects of the securities market. It should bring new and emerging stock market regulatory regimes to match international standards.

References

- Adhikari, D. B., Shakyaa, B., Devkota, N., Karki, D., Bhandari, U., Parajuli, S., & Paudel, U. R. (2021). Financial hurdles in small business enterprises in Kathmandu Valley. *Modern Economy*, 12(6), 1105-1118.
- Adhikari, S., & Jha, P. K. (2016). Applicability of Portfolio Theory in Nepali Stock Market. *NRB Economic Review*, 28(1), 65-92.
- Brau, J. C., Li, M., & Shi, J. (2007). Do secondary shares in the IPO process have a negative effect on aftermarket performance? *Journal of Banking and Finance*, 31(9), 2612–2631. <https://doi.org/10.1016/j.jbankfin.2006.09.016>
- Chandler, K., & Swartzentruber, M. (2011). A correlational study of nature awareness and science achievement [Master's Degree Research Project, Johnson Bible College]. Johnson Bible College Repository <http://131.211.208.19/login?auth=eng&url=http://ovidsp.ovid.com/ovidweb.cgi?T=JS&CSC=Y&NEWS=N&PAGE=fulltext&D=eric3&AN=ED520105>
- Chou, T. C., & Lee, A. S. (2009). A process model for customer relational assets creation: A case study of online securities trading platform. *Information Management and Computer Security*, 17(3), 218–233. <https://doi.org/10.1108/09685220910978095>
- Dahal, S. (2010). A study on Nepalese Stock Market in the light of its growth, problems and prospects [Master's Degree Thesis, Tribhuvan University]. Tribhuvan University Central Library Depository <https://elibrary.tucl.edu.np/bitstream/123456789/966/3/6803.pdf>
- Devkota, N., Sigdel, A., Paudel, U. R., Upretee, S., & Basyal, D. K. (2023). Contribution of ICT on Small and Medium Enterprise Business Profitability: A Literature Review. *Strengthening SME Performance Through Social Media Adoption and Usage*, 106-118.
- Devkota, N., Bijukshe, A., Pokhrel, L., Paudel, U. R., & Parajuli, S. (2021). Factors influencing attitude toward online advertising in Kathmandu valley. *PYC Nepal Journal of Management*, 14(1), 17-30.
- Devkota, N., Budhathoki, A., Paudel, U. R., Adhikari, D. B., Bhandari, U., & Parajuli, S. (2021). Online Trading Effectiveness in Nepal Share Market: Investors Awareness, Challenges and Managerial Solution. *Asian Journal of Economics, Business and Accounting*, 21(5), 90-98.
- Dhungana, A. (2010). Trend analysis of Nepalese stock market [Master's Degree Thesis, Tribhuvan University]. Tribhuvan University Central Library Depository <https://elibrary.tucl.edu.np/handle/123456789/1023>

- Friedberg, L., & Webb, A. (2006). Determinants and consequences of bargaining power in households. Working Paper (No. 12367), *National Bureau of Economic Research*, 1-41. <http://www.nber.org/papers/w12367>
- Gurung, J. B. (2006). Growth and Performance of Securities Market in Nepal. *Journal of Nepalese Business Studies*, 1(1), 85–92. <https://doi.org/10.3126/jnbs.v1i1.43>
- Hou, J. (2015). Online Stock Trading: Do Demographics, Internet Usage, and Attitudes Matter? *International Journal of Business and Social Science*, 6(2), 8-15.
- Huang, S. M., Hung, Y. C., & Yen, D. C. (2005). A study on decision factors in adopting an online stock trading system by brokers in Taiwan. *Decision Support Systems*, 40(2), 315-328
- Israel, G. D. (1992). *Determining sample size* (Fact sheet PEOD-6). Gainesville, FL: University of Florida, 1-5.
- Jafarpour, D., & Oskuee, V. (2006). The impact of online trading on customer satisfaction in Tehran stock exchange with SERVQUAL Model. *Journal of Electronic Commerce Research*, 6(2), 95-111.
- Jones, S. L., & Yeoman, J. C. (2008). Internet auctions as a means of issuing financial securities: the case of the OpenIPO. *Managerial Finance*, 34(2), 116–130. <https://doi.org/10.1108/03074350810841303>
- Kang, J. K. (1997). Why is there a home bias? An analysis of foreign portfolio equity ownership in Japan. *Journal of financial economics*, 46(1), 3-28.
- Khaizu, S., Devkota, N., Paudel, U. R., Parajuli, S., Mahato, S., Basyal, D. K., & Bhandari, U. (2022). What Factors Influence Poultry Production in Sindhupalchok District of Nepal? A Poultry Farmers Perspective. *Journal of Agriculture and Crops*, 9 (1), 49-61.
- Li, Y. M., Lee, J., & Cude, B. J. (2002). Intention to adopt online trading: Identifying the future online traders. *Journal of Financial Counseling and Planning*, 13(2), 49–66.
- Lieberman, I.W., Anderson, A., Grafe, Z., Campbell, B. and Kopf, D. (2009). Microfinance and capital markets: The initial listing/public offering of four leading institutions, In Watkins, T.A. and Hicks, K. (Ed.) *Moving Beyond Storytelling: Emerging Research in Microfinance (Contemporary Studies in Economic and Financial Analysis*, 92 (pp 31-80). [https://doi.org/10.1108/S1569-3759\(2009\)0000092005](https://doi.org/10.1108/S1569-3759(2009)0000092005)
- Mantell, E. H. (2016). A theory of underwriters' risk management in a firm-commitment initial public offering. *Review of Quantitative Finance and Accounting*, 46(1), 179–193. <https://doi.org/10.1007/s11156-014-0466-0>
- Martani, D., Sinaga, I. L., & Syahroza, A. (2012). Analysis on Factors Affecting IPO Underpricing and their Effects on Earnings Persistence. *World Review of Business Research*, 2(2), 1–15.
- Parajuli, S., Bijukshe, A., Devkota, N., Bhandari, U., & Poudel, U. (2021). Nepalese Customers' Attitude and Preferences towards Online Marketing: Index Based Analysis. *International Journal of Marketing & Human Resource Research*, 2(4), 211-223.
- Paudel, U. R., & Devkota, N. (2018). Socio-Economic influences on small business performance in Nepal-India open border: Evidence from cross-sectional analysis. *Economics & Sociology*, 11(4), 11-30.
- Rana, S. (2017). Marital Status and Investment Preferences. *Online International Interdisciplinary Research Journal*, 7, 91-98.
- Risal, N., & Khatiwada, N. (2019). Herding behavior in Nepali stock market: Empirical evidences based on investors from NEPSE. *NCC Journal*, 4(1), 131-140.
- Ritter, J. R., & Welch, I. (2002). A review of IPO activity, pricing, and allocations. *Journal of Finance*, 57(4), 1795–1828. <https://doi.org/10.1111/1540-6261.00478>
- Roca, J. C., García, J. J., & de la Vega, J. J. (2009). The importance of perceived trust, security and privacy in online trading systems. *Information Management and Computer Security*, 17(2), 96–113. <https://doi.org/10.1108/09685220910963983>
- Sakthivel, N., Saravanakumar, A. (2019). Investors' Preference Towards Online Share Trading at NSE: A Study in Coimbatore District of Tamilnadu. *International Journal for Research in Engineering Application and Management*, 4(3), 392-399. <https://doi.org/10.18231/2454-9150.2018.0352>
- Salkind, M. (2013). Scale, sociality and serendipity in Providence, Rhode Island's post-industrial renaissance. *Creative Economies in Post-Industrial Cities: Manufacturing a (Different) Scene*, 33-58.

- Sharif, T., Purohit, H., & Pillai, R. (2015). Analysis of factors affecting share prices: The case of Bahrain stock exchange. *International Journal of Economics and Finance*, 7(3), 207-216.
- Shrestha, N.R. (2012). Sensitivity on stock return in Nepalese stock market. *PYC Nepal Journal of Management*, 5(1), 67-76.
- Shrestha, P., & Subedi, R. (2014). Determinants of stock market performance in Nepal. *NRB Economic Review*, 26(2), 25–40.
- Tandukar, H., Devkota, N., Khanal, G., Padda, I. U. H., Paudel, U. R., Bhandari, U., Adhikari, K & Parajuli, S. (2021). An Empirical Study in Nepalese Commercial Bank's Performances on Green Banking: An Analysis from the Perspective of Bankers. *Quest Journal of Management and Social Sciences*, 3(1), 49-62.
- Tuan, L. T. (2012). What trust grows through upward influence? *Asia-Pacific Journal of Business Administration*, 4(2), 158-181.
- Upadhyay, J. (2020). Perception towards Service Quality of Dematerialized (DEMAT) Account in Nepal. *Studies in Social Science Research*, 1(2), 26-41
- Utamaningsih, A. (2017). The Influence of Underpricing to IPO Aftermarket Performance: Comparison between Fixed Price and Book Building System on the Indonesia Stock Exchange. *International Journal of Economics and Financial Issues*, 7(4), 157–161.
- Vaidya, R. (2021). Qualitative Analysis on Investment Decisions of Nepalese Stock Market Investors. *Journal of Business and Management Review*, 2(5), 349-365.

Annex 1: Timelines of Status of Nepal Stock

Activities	Year (BS)
Issue of Shares of Biratnagar Jute Mills and Nepal Bank Limited	Before 2000 BS
Establishment of Securities Exchange Center	2033
Formulation of securities Exchange Act	2040
Commencement of trading of securities listed under the Securities Exchange Act	2041
Issue of Share of Rastriya Beema Company	2042
First Amendment to the Securities Exchange Act	2049
Establishment of Nepal Stock Exchange Limited (NEPSE)	2050
Establishment of Securities Board of Nepal, SEBON	2050
Launch of Nepal's first Mutual Fund NCM	2050
Government Debentures start trading in Nepse	2063
Issue of Securities Act	2063
Start of Computerised trading of securities	2064
Adoption the policy of Circuit Breaker and Trading Halt	2064
Live transmission of trading details through website	2064
Trading time increased to three hours	2064
Start of trading of promoter shares	2064
Transformation of Nepal Stock Exchange into a for- profit Organisation	2065

Establishment of OTC market	2065
Start of share trading from outside the valley through brokers	2066
Establishment of Central Depository System CDSC	2067
Establishment of ICRA Nepal, the first Credit rating company in Nepal	2069
Start of trading of dematerialised securities	2071
Full implementation of trading of demat securities	2072
Development of Nepse app	2073
Trading time increased to four hours	2073
Market depth available for View to the general public	2073
Asba system implementation in primary share offering	2073
Mandatory 10 share allotment for application in primary share issue	2074
Development of C-Asba System	2074
Establishment of Second Credit Rating company- Care rating Nepal	2074
Implementation of Electronic DIS slip, EDIS	2075
Online Share trading	2075
Launch of Mero share mobile app	2077