

Investors' Behavior and Equity Investment Decision: An Evidence from Nepal

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Received: 7th February 2023/ **Revised:** 19th June 2023/ **Accepted:** 19th June 2023

How to Cite: Sapkota, M. P., & Chalise, D. R. (2023). Investors' Behavior and Equity Investment Decision: An Evidence from Nepal. *Binus Business Review*, 14(2), 209–221. <https://doi.org/10.21512/bbr.v14i2.9575>

ABSTRACT

Behavior is the psychological phenomenon/aspect of the individuals, and investors' behavior influences investment decisions. The research examined the influence of investors' behavior on equity investment decisions based on quantitative research philosophy and utilized descriptive cum analytical research design. The sample was 400 individual investors from the top ten brokerage firms, with 40 investors who made equity investment decisions in the Nepalese stock market using a first-come-first-basis with readiness to respond to the survey questionnaire. Data were collected from a 5-point Likert type with a self-administered closed-end structured questionnaire from 293 respondents. Descriptive and inferential statistics were applied in analyzing data, including correlation coefficient and multiple regression analysis. The results indicate that investors' behavior is a significant factor in equity investment decisions. However, gender is not an influencing factor. Hence, the financial market may not always be guided by fundamental principles of standard finance but is largely influenced by investors' irrationality and behavior. Then, it leads to excessive trading of securities, selling to gain portfolios, and overreaction and underreaction in the marketplace. Therefore, investors' irrationality can be abated through training, professional advice, investment goal, and implementation of behavioral finance courses at professional and academic institutions.

Keywords: investors' behavior, equity investment decision, Nepalese stock market

INTRODUCTION

An investment is the current commitment of resources for future benefits that should compensate for the time factors for committed funds, expected inflations during committed time periods, and uncertainty of future payments. Standard finance assumes that investors are rational and the market is efficient. Investors' rationality is the essential standard of finance, which is contributed by the modern portfolio theory of Markowitz, the capital assets pricing model of Sharpe, the option pricing principles of Blacks and Scholes, the arbitrage pricing theory of Ross, and the efficient market hypothesis of Fama (Vaid & Chaudhary, 2022). Investment decisions cannot be made without applying standard financial principles. However, the fundamental principles of

standard finance are the assumption of rationality of the investors, which is the main challenge of the theory. It is the source of market anomalies, leading to investors' overreactions or underreactions (Sharma & Sharma, 2022). In addition, conventional financial theory fails to explain the irrationality and biases of individual investors. Their irrationality leads to irregularities in the financial markets (Joshi & Badola, 2022). Today's standard finance is unable to explain the market due to its variation between theory and evidence (Statman, 2018). The investment decision is the blend of knowledge, available information, and behavior of the individual investors (Nicolescu & Tudorache, 2020). The new thought of financial markets emerges, incorporating the inclusion of human emotions, behaviors, and sentiments while making investment decisions (Zahera & Bansal, 2018).

The essentials of behavioral finance are performed at the individual and corporate levels, as well as the behavior of individual investors, professionals, institutional investors, regulators, brokers, and corporate houses (Zahera & Bansal, 2018). Investors' behavioral factors, like sentiment, overreaction and underreaction, herding, and overconfidence, have a significant and positive influence on an individual's investment decisions (Metawa et al., 2019). Likewise, investment campaign decisions about new investment opportunities affect the investors' participation in entrepreneurial investment decisions (Hervé et al., 2019). The investment decisions of fund managers and retail investors are both influenced by psychological biases, but the influence is different (Jaiyeoba et al., 2018). The investment decision is also affected by the personality trait through social interactions (Akhtar et al., 2018). In addition, heuristic biases also significantly influence the investment decisions of individual investors (Shah et al., 2018).

Prospect theory is the application of behavioral economics that explains mathematically how persons' decisions are swayed by their attitudes towards risk, uncertainty, loss, gain, and challenges the expected utility theory of decision-making (Tao et al., 2023). Meanwhile, the heuristic theory argues that the cognitive psychological process based on judgments and mental shortcuts may violate the normative principles and sometimes demonstrate the non-logical, automatic, unconscious, implicit, fast, and effortless decision-making process (Martín & Valiña, 2023).

Behavioral financing combines human behavior and psychology into the study of the financial market and presents the investment pattern of investors who exhibit underreaction and overreaction. Finally, it provides an understanding of biases, moods, emotions, and motivations of human behavior about financial decisions (Zahera & Bansal, 2018). Investors are highly influenced by emotional biases that lead to overreaction or underreaction in the marketplace, holding risky portfolios and selling early of the gaining portfolios without quite processing of information for investment and making investment decisions based on psychology, behavior, emotions, others' recommendations, experiences, and existing knowledge (Sapkota, 2023). Thus, behavior finance focuses on emotions, moods, psychology, sentiments, financial literacy, knowledge about standard finance, individual beliefs, values, expectations, experiences, feelings of comfort, or convention rather than quantitative analysis of the alternatives while making an investment decision. Equity investment decision refers to the decision associated with investment into common stock in the secondary marketplace (Sapkota, 2023; Nagy & Obenberger, 1994; Sapkota, 2022).

The proper investment decision is the crucial concern that determines the relevance and existence of the investment. Investment decision depends on the investment horizon, availability of investment opportunities, financial literacy, knowledge of financial markets, expected rate of return, personal financial

needs, the financial position of the firm, accounting information, other investors' decisions, availability of resources, and others. Recently, the Nepalese financial market, especially the share market, has faced a serious up and down. The market index has dropped from roundly 3.200 to approximately 1.800 (from January 2020 to June 2023) through new entrants of a large number of young and fresh investors and behavioral perspectives towards the stock market and the adverse effect of the COVID-19 pandemic on all sectors of the economy.

The research highlights the role of investors' behaviors and how they are guided in their investment decisions. To the researchers' best knowledge, there is no available literature that deals with the equity investment decision of individual investors in the top brokerage firms of Nepal. In addition, there is an entrant of new and young investors with knowledge about financial markets, high risk-taking behavior, and rapid decisions. Hence, the research provides the fundamental investment behaviors of individual investors for equity investment decisions and insights regarding the major contributing behavioral factors and their impact on the equity investment decisions of Nepalese investors.

In addition, the research examines the roles of behavioral factors like accounting information, neutral information, advocate recommendation, self-image/firm image coincidence, and personal financial needs because investors' decisions frequently deviate from the rational procedure and decision biases. Finally, the research utilizes the significance of behavioral finance to downsize the irrational decisions and investment mistakes towards equity investment decisions. Equity investment decisions are a fundamental concern for individual investors and the economy as a whole because it is also an indicator of the development of a country.

The individual's investment decision is highly influenced by neutral information, accounting information, advocate recommendation, self-image/firm image coincidence, classic, social relevance, and personal financial needs (Nagy & Obenberger, 1994). Similarly, those are key factors, with accounting information as the most influencing factor, whereas personal financial needs as the least (Merikas et al., 2004). Therefore, it implies that understanding financial behavior is essential for all investors if they wish to exist further in the stock market.

In addition, accounting information, self-image/firm-image coincidence, and neutral information are the major contributing factors. Meanwhile, advocate recommendations and personal financial needs are the weak yet important factors that influence the stock investment decisions of individual investors (Sachdeva et al., 2023). However, do these factors, including gender, influence investors' investment behavior in Nepalese? Hence, the research is designed to examine the influence of investors' behavior on the equity investment decisions of individual investors in the Nepalese stock market.

Neutral information is the bias-free information released in the market place such as news, press conferences, and recommendations of investment advisory services. Neutral information delivers unbiased information, which is valuable to potential investors about investment decisions (Sachdeva et al., 2023; Nagy & Obenberger, 1994; Merikas et al., 2004; Safdar et al., 2020). Neutral information also includes the financial and general press, recent stock index returns, and recommendations and suggestions by the investment advisory services because these items indicate unbiased information, and they are the outside source of information (Nagy & Obenberger, 1994). Neutral information significantly influences equity investment decisions (Adhikari, 2020; Merikas et al., 2004).

Likewise, neutral information significantly and positively influences stock investment (Safdar et al., 2020). Hence, the first hypothesis is as follows.

H_{1A} : The neutral information has a significant positive influence on equity investment decisions.

Accounting information is the reports of financial conditions that present the financial position and health of the organization. It is presented in annual reports, bulletins, and papers. Accounting information presents the financial soundness of the firm (Sultana & Pardhasaradhi, 2012; Nagy & Obenberger, 1994). Accounting information is the key element for the valuation, target return, evaluation process of investment alternatives, and unpublished accounting information. Then, subjective information is prioritized for decision-making (Wright & Robbie, 1996).

Accounting information includes the firm's financial statements, annual reports, prospectuses, price-earnings ratio, market-to-book ratio, and expected earnings. Those play a significant role while making equity selections and investment decisions (Nagy & Obenberger, 1994). Accounting information is the financial/accounting report of the firm, which affects the investment decision of the individual investors. Accounting information plays a key role in influencing the equity investment decision (Sultana & Pardhasaradhi, 2012). Similarly, accounting information significantly influences the equity investment decision of individual investors (Pandey et al., 2020). The following statement is the second hypothesis.

H_{1B} : The accounting information has a significant positive influence on equity investment decisions.

Self-image/firm image coincidence presents the ethics and the moral activities of the organization. It indicates the value and reputation of the firm or stock in the marketplace (Sultana & Pardhasaradhi, 2012; Nagy & Obenberger, 1994; Safdar et al., 2020). Then, it includes the firm's reputation, status, responses

about products and services, and perceived ethics generated by the individuals about the firm's value (Nagy & Obenberger, 1994). Self-image/firm image coincidence significantly influences equity investment decisions (Sultana & Pardhasaradhi, 2012; Adhikari, 2020). Similarly, self-image has a significant positive impact on stock investment decisions (Safdar et al., 2020). The third hypothesis is as follows.

H_{1C} : The self-image/firm image coincidence has a significant positive influence on equity investment decisions.

Advocate recommendation refers to advice, suggestion, and recommendation by investment forums, brokerage firms, financial experts, academicians, lawyers, business houses, business people, and others. Proper advocate recommendation helps the selection of well-performing stocks (H. & Uchil, 2020; Nagy & Obenberger, 1994; Sultana & Pardhasaradhi, 2012; Safdar et al., 2020). The advocate/analyst's recommendation relies crucially on non-financial, soft, qualitative, and imprecise information. Their only small part in report and information plays the key of a single determinant for an investment decision. For example, purchase recommendations from brokerage houses and stock brokers, experts, and professionals play a key role in the equity selection process, and recommendations from friends and co-workers are also marginally loaded (Nagy & Obenberger, 1994). Investors' sentiments influence individuals' stock investment decision-making through advocate recommendations (H. & Uchil, 2020). Advocate recommendation significantly influences equity investment decisions (Adhikari, 2020; Sultana & Pardhasaradhi, 2012). Likewise, advocate recommendation has a significant positive impact on stock investment decisions (Safdar et al., 2020). The fourth hypothesis is as follows.

H_{1D} : The advocate recommendation has a significant positive influence on equity investment decisions.

Personal financial needs refer to the investment portfolio of investors based on their timing of fund needs and available investment alternatives based on risk return-trade-off. Personal financial needs indicate the time frame required for investment and diversification requirements, as these are the key factors for investment decisions (Nagy & Obenberger, 1994; Sultana & Pardhasaradhi, 2012; Safdar et al., 2020). Personal financial needs are mainly dominated by considerations for competing financial needs. Period before invested funds are needed, and diversification requirements are the key factors for the equity selection process of individual investors (Nagy & Obenberger, 1994). Personal financial needs have a significant influence on equity investment decisions (Adhikari, 2020; Sultana & Pardhasaradhi, 2012). Similarly, personal financial needs significantly and

positively impact stock investment decisions (Safdar et al., 2020). The following statement is the last hypothesis.

H_{IE} : Personal financial needs have a significant positive influence on equity investment decisions.

Various factors influence the stock investment decision. However, the research considers neutral information, accounting information, self/firm-image coincidence, advocate recommendation, and personal financial needs as the independent variables. These factors influence the equity investment decision. These variables are basically adopted from the research of Nagy and Obenberger (1994). The detailed conceptual framework of the research is listed in Figure 1.

METHODS

The research is based on quantitative research philosophy. It follows the descriptive cum analytical research design. The population is the total number of individual investors who participate in equity transactions in the Nepalese share market from brokerage firms operating within Kathmandu Valley, as the population in the capital city of Nepal is unknown. The minimum sample size for the unknown population is 385 (Cochran, 1977; Saunders et al., 2019). However, the sample size is 400 individual investors from Kathmandu Valley based on the first 40 respondents from each brokerage firm who comes first on a particular visiting day of the researcher, selected from the first top 10 brokerage firms based on a total number of clients. The total number of collected responses is 317. Then, the complete and usable responses are 293, representing 73,25% of the response rate from the total respondents.

The research also uses a primary source of data through a questionnaire survey using a 5-point Likert-type scale with self-administered and structured

questionnaires of all the studied variables. The research follows the constructs and questionnaires/statements of various studies, as presented in Table 1 (see Appendices). These questionnaires are contextualized in the Nepalese context with the help of the experts, including an academican of finance, management, accountancy, economics, brokers, investors' forums, and a member from the Nepal Stock Exchange (NEPSE) and Security Board of Nepal (SEBON).

Pilot testing from 10% of the total sample (40 individual investors) is conducted with the related academicians, practitioners, and independent experts. They participate in the equity transaction to validate the questionnaire. After adjusting the responses, the pilot study indicates the appropriateness of the survey questionnaires for a full-phase study.

Next, Cronbach's alpha is utilized to examine the reliability of the items along with alpha more than 0,70 for the reliability of the construct (Saunders et al., 2019). The collinearity diagnosis is considered by utilizing a Variance Inflation Factor (VIF) with less than 10 (Saunders et al., 2019). Ultimately, any unrelated, uncontributed, and unnecessary items within the questionnaires are removed from the research. Descriptive statistics are applied, such as average, minimum, maximum, and standard deviation. Similarly, inferential statistics and multivariate analysis like t-test statistics, f-test statistics, correlation, and multiple regression are applied for data analysis. Finally, the independent variables as NEI, ACI, SIC, ADR, and PFN, are regressed with the dependent variable of EID. Two models are developed, including Equation (1) with only independent and dependent variables and Equation (2) with employee dependent, independent, and control variables. The fitted final model is given as follows. Then, Equation (2) is developed to incorporate the control variable of the gender of the respondents. Gender is the dichotomous variable, so a dummy variable is created for inclusion in the ordinary least square (OLS) model (like '1' is female and '0' otherwise).

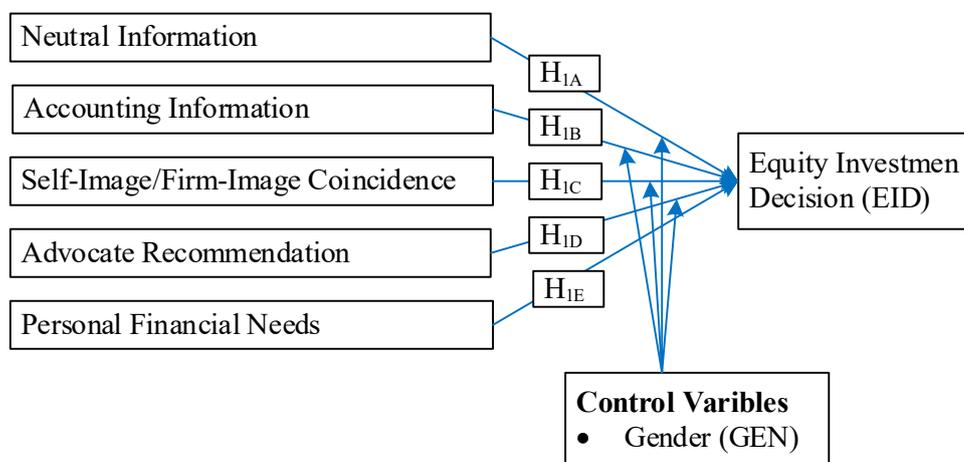


Figure 1 Conceptual Framework

$EID = f(\text{Neutral Information, Accounting Information, Self-Image/Firm-Image Coincidence, Advocate Recommendation, and Personal Financial Needs})$

And,

$EID = f(\text{Neutral Information, Accounting Information, Self-Image/Firm-Image Coincidence, Advocate Recommendation, Personal Financial Needs, and control variables})$

$$EID = \beta_0 + \beta_1 NEI + \beta_2 ACI + \beta_3 SIC + \beta_4 ADR + \beta_5 PFN + e_i \quad (1)$$

$$EID = \beta_0 + \beta_1 NEI + \beta_2 ACI + \beta_3 SIC + \beta_4 ADR + \beta_5 PFN + \beta_6 GEN + e_i \quad (2)$$

RESULTS AND DISCUSSIONS

First, internal consistency is examined, and other necessary tests are utilized. Internal consistency or reliability of the constructs is examined by employing Cronbach's alpha. The detailed reliability analysis through Cronbach's alpha is demonstrated in Table 2 (see Appendices). The Cronbach's alpha of all the constructs, higher than 0,70, is deliberated as reliable. There is no serious problem of internal consistency among items (Saunders et al., 2019). The highest Cronbach's alpha is 0,876 on self-image/firm-image coincidence, and the lowest is 0,759 on personal financial needs.

Next, respondents' profiles are incorporated. The collected data are analyzed using descriptive and inferential statistics. Basic descriptive statistics, such as average, standard deviation, minimum and maximum, are utilized to describe the circumstance. The detailed respondents' profiles are documented in Table 3 (see Appendices).

In Table 3 (see Appendices), the majority of the respondents are male, representing 66,89% of respondents. It indicates that a large number of investors in the Nepalese share market is male. Meanwhile, the female respondents are 33,11%. Next, 58,36% of investors are single, and the remaining are married. It means that most of the investors participating in the stock market of Nepal are single. Academic qualification is divided into School Leaving Certificate (SLC) or Secondary Education Examination (SEE), ten plus two (+2) or Proficiency Certificate Level (PCL) or intermediate level, bachelor's level, master level, and above master level. However, the majority of the respondents have at least a bachelor's degree in any discipline. They are participating in the financial market, implying the entrant of investors with some basic financial market knowledge. However, the majority of the investors have less than 5 lakhs for their annual income. It indicates an entrant of new and young investors who can create portfolios by investing in various companies' stocks.

Table 4 (see Appendices) depicts the summary statistics of EID and behavioral biases. The minimum and maximum values of EID are 7 and 35, respectively, with an average value of 24,451, greater than 21. It indicates that investment decision is striving towards agreement. Similarly, the average values of NEI, ACI, SIC, ADR, and PFN are 28,673, 23,568, 20,891, 29,794, and 25,519, respectively. All these average values are higher than neutral or undecided and striving towards agreement. Hence, these average values of summated value in the Likert scale indicate that the equity investment decision of individual investors is striving towards agreement. Investment decisions are affected by behavioral factors. However, the actual influence of behavioral factors on equity investment decisions is examined using inferential statistics.

The mean score of all studied variables (dependent and independent variables) per gender and independent sample t-test is presented in Table 5 (see Appendices). The result shows that the average scores of males and females in all studied variables are not significantly different. The significant level is greater than 0,05. Hence, the result indicates no significant difference between males and females in the mean scores of EID, NEI, ACI, SIC, ADR, and PFN.

Next, the correlation coefficient between investment decision and investors' behaviors are examined. The results show that a relationship among the variables occurs. The detailed correlation coefficient is documented in Table 6 (see Appendices). In Table 6 (see Appendices), the equity investment decision is significantly and positively related to investors' behavior represented by neutral information, accounting information, self-image/firm-image coincidence, advocate recommendation, and personal financial needs. The significance value of the correlation coefficient among variables is less than 0,05. It means that positive investment behavior leads to positive investment decisions. Hence, positive investment behavior is essential for positive investment decisions. Likewise, the correlation coefficient among explanatory variables is less than 0,90, indicating no serious indication of the problem of multicollinearity (Saunders et al., 2019).

In Tables 7 (see Appendices) and 8 (see Appendices), the influence of investors' behavior on investment decisions is examined through multiple regression analysis. In Table 7, the fitted model is valued significantly due to test statistics ($F = 69,113$ with $p\text{-value} < 0,01$). The developed model shows that the variation in investment decisions by investors' behavior measured by NEI, ACI, SIC, ADR, and PFN is 59,81%.

The detailed result of the regression coefficient is depicted in Table 8 (see Appendices). The regression results highlight that the VIF of all studied constructs is less than 10. It indicates no serious multicollinearity problem among independent variables (Saunders et al., 2019). All behavioral factors, NEI, ACI, SIC, ADR, and PFN, significantly impact individual investors' investments. When 1 point changes the NEI score,

it will change the 1,119 points in EID. Likewise, 1 point change in ACI, SCI, ADR, and PEN will change EID by 1,441, 1,212, 1,071, and 1,405 points, respectively. Hence, the most influencing factor for equity investment decisions is accounting information (ACI), while the least influencing factor is advocate recommendation (ADR). Finally, the fitted model based on Equation (1) is given as follows.

$$EID = 5,423 + 1,119 NEI + 1,441 ACI + 1,212 SIC + 1,071 ADR + 1,405 PFN + e_i$$

In addition, Equation (2) is utilized to incorporate the influence of control variables in the equity investment decisions of individual investors. The results are dispensed in Tables 9 (see Appendices) and 10 (see Appendices), respectively. Table 9 (see Appendices) shows that the variation in equity investment decisions explained by behavioral and control variables is 64,10%, and the fitted model is significant at 0,01 level.

As in Table 8 (see Appendices), the OLS coefficient results are presented in Table 10 (see Appendices). It shows the influence of behavioral and control variables on the equity investment decisions of individual investors. In Table 10 (see Appendices), all the coefficient of the variables except gender is significant at 0,01 level. Gender also has an insignificant role in EID based on individual independent variables, so the result is not mentioned in Table 10. However, gender as a single control variable for the research is incorporated. Next, the VIF of all the variables is less than 10. It indicates no serious problem of multicollinearity. In addition, when 1-point changes in NEI, it changes the 1,029 points in EID. Likewise, 1-point score change in ACI, SCI, ADR, PEN, and GEN will change the EID by 1,317, 1,313, 1,092, 1,399, and 0,543, respectively. However, the role of gender (GEN) is insignificant for EID. In Equation (2), gender is excluded. Gender has an insignificant role in equity investment decisions among Nepalese investors. Hence, Equation (2) is as follows.

$$EID = 5,149 + 1,029 NEI + 1,317 ACI + 1,313 SIC + 1,092 ADR + 1,399 PFN + e_i$$

All the explanatory variables positively influence the equity investment decisions of the individual investors, and the results are significant at the 0,01 level. It indicates that behavioral factors are major contributing factors to investment decisions. However, gender is insignificant in equity investment decisions at the 0,05 level.

Finally, the summary result of the hypothesis based on multiple regression analysis is depicted in Table 11 (see Appendices). Neutral information refers to information about recent price tendencies, reputation and fame of a firm, the firm's past and recent status in the industry, the firm's past performance, reporters' news, message and information, and media coverage. It has a significant positive impact on the investment

decisions of individual investors. Neutral information facilitates informed and unbiased judgements about potential risks and return, promoting rationality, and facilitating risk evaluation. Hence, H_{1A} is accepted. This finding is similar to the finding of Adhikari (2020), Somathilake (2020), and Sultana and Pardhasaradhi (2012).

Next, accounting information is the financial documents that present the firm's financial position. It includes financial statements, expected earnings, expected dividends, share price, past or previous performance of the stock, and dividends paid. Hence, positive information has positive investment decisions and vice versa. Accounting information has a significant positive influence on investment decision-making. Accounting information facilitates financial performance evaluation, valuation of assets and securities, disclosure of relevant information, compliance, transparency, and comparative analysis along with financial health and prospects of the companies. H_{1B} is accepted. This finding is consistent with Mohamad (2020), Zaidi and Tahir (2019), and Thanusan and Kengatharan (2019).

Likewise, self-image/firm image coincidence is related to information about the firm's product and service, reputation in the industry, status, and perceived value. It has a significant positive impact on investment decisions. Self-image/firm image coincidence creates corporate values and beliefs, facilitates emotional connection and trust, perceived competence, and expertise, and develops long-term commitment to the investment. H_{1C} is accepted. This result is similar to Thanusan and Kengatharan (2019). However, this result is refuted by the results of Mohamad et al. (2019).

Advocate recommendation is the suggestion and information provided by the brokerage firm recommendation, family member's suggestion and recommendation, friend's and co-workers' opinions, experts' recommendations, and the majority stockholder of firms' recommendations. It has a significant positive impact on the investment decisions of the investors. Advocate recommendation creates trust and credibility, social proof, information sharing, and emotional influence and reduces information asymmetry about investment decisions. H_{1D} is accepted. This finding is compatible with the finding of Adhikari (2020), Somathilake (2020), and Sultana and Pardhasaradhi (2012).

Personal financial needs contain the factors related to the capacity to select and manage investment activities with the needs of personal utilization. It has a positive influence on investment decisions. Personal financial needs impact investors' investment decision-making process significantly and positively. Personal financial needs facilitate the determination of investment objective and risk tolerance capabilities, obtains diversification and growth and fixation of time horizon of the investment. H_{1E} is accepted. This result is compatible with the result of Mohamad et al. (2019).

Finally, the research concludes that there is a significant influence of investors' behavior on equity investment decisions. Individual investors do not always demonstrate rationality while making investment decisions. They are influenced by their behavioral biases and irrationality, leading to an overreaction in the market, buying the losing stocks, selling the gaining portfolios, following others' decisions, excessively depending on the news of the media and others' information, and making poor investment decisions.

CONCLUSIONS

Mostly, investors are guided by their philosophy and psychology, emotions, knowledge, contact, and behavior. Their investment decisions are also heavily guided by the decisions of others, leading to irrationality in the decision-making process of individual investors. The research examines the impact of investors' behavior on equity investment decisions using quantitative research philosophy with a sample of 400 individual investors. The sample is collected from the top 10 brokerage firms with 40 respondents per number of investors based on a first-come-first-basis. However, the actual number of responses is 293, representing a 73,25% response rate.

The results indicate that most of the investors' responses are striving toward agreement, implying that investors' behavior is the one factor that affects equity investment decisions. The relationship between equity investment decisions and investors' behavior is essential. Investors' behavior is one of the key determinants of the investment decisions of individual investors. However, gender does not play the key contributing factor to the equity investment decisions of individual investors. Hence, the research finds that neutral information, accounting information, self-image/firm-image coincidence, advocate recommendation, and personal financial needs have a significant positive influence on equity investment decisions.

Accounting information contributes to investors' basic information about evaluating and comparing the financial circumstance of the issuers, including liquidity, profitability, soundness, and solvency. Moreover, the positive image of the firm indicates a positive signal for potential investors and vice versa. Then, neutral information shapes the opportunities for diversification and wealth protection through trade-offs between risk and return characteristics for the investors. Meanwhile, sound advocate recommendation contributes to worthy guidance and encourages investors to improve their investment decisions. Last, personal financial needs focus on the investors' future investment opportunities and rate of return that will improve their prospects and living standards.

The research findings are helpful to general investors, policy-makers, and market regulators by

understanding the role of financial and non-financial factors on individual investors' decision-making process. SEBON and NEPSE can also identify the most influential factors for equity investment decisions and provide appropriate information about the stock market to investors at the right time with the right information. Meanwhile, brokerage firms' experts, co-workers, and peers should deliver correct information about the stock market for investors' better investment decisions by minimizing risk and obtaining effective returns. However, the results may not be applicable except for the Nepalese context because the Nepalese stock market is in the developing phase, so it has an excessive entrant of new investors through rumor, interaction, and herding. Most investors have poor knowledge of financial theory and markets, and their preference is to take abnormal returns in a short period. Hence, standard financial theory is unable to act fully. Then, the prospect theory and heuristic theory of behavioral finance also play a significant role in the investment decisions of Nepalese individual investors. In addition, training, conference, and seminar can be conducted to deliver information about investors' irrationality by experts. Monitoring and regulating bodies of the market and the course of financial management, including

The research has the following limitations. First, it follows only five variables and fails to incorporate other behavioral factors like herding, overconfidence, heuristic, and prospect factors. Second, it uses proxy variables that may lose the real meaning of the variable used. Third, it only uses 10% of the sample for the pilot study, so it may be unable to capture the investment decision except for the Nepalese Share Market.

Further research is recommended to incorporate other behavioral and psychological factors and technical and fundamental analysis for investors' investment decisions. Further research should also incorporate large sample and other behavioral factors like herding, overconfidence, heuristic, cognitive, and emotional biases as well as risk and return factors within and across countries. Behavioral finance can be incorporated at the campus, college, and university levels.

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APPENDICES

Table 1 List and Sources of Variables and Questionnaires of the Study

No	Code	Variables	Sources	Measurement	Expected Sign
1.	EID	Equity Investment Decision	(Khan et al., 2021; Sapkota, 2023)	5-point Likert-type statement	
2.	NEI	Neutral Information	(Adhikari, 2020; Merikas et al., 2004; Nagy & Obenberger, 1994; Safdar et al., 2020)	5-point Likert-type statement	+
3.	ACI	Accounting Information	(Nagy & Obenberger, 1994; Sultana & Pardhasaradhi, 2012; Wright & Robbie, 1996)	5-point Likert-type statement	+
4.	SCI	Self-image Coincidence	(Adhikari, 2020; Nagy & Obenberger, 1994; Safdar et al., 2020; Sultana & Pardhasaradhi, 2012)	5-point Likert-type statement	+
5.	ADR	Advocate Recommendation	(Adhikari, 2020; Nagy & Obenberger, 1994; H. & Uchil, 2020; Sultana & Pardhasaradhi, 2012)	5-point Likert-type statement	+
6.	PFN	Personal Financial Needs	(Adhikari, 2020; Nagy & Obenberger, 1994; Safdar et al., 2020; Sultana & Pardhasaradhi, 2012)	5-point Likert-type statement	+

(Source: Researchers' Collection)

Table 2 Results of Internal Consistency

No	Variables	Items	Cronbach Alpha
1.	Equity Investment Decision (EID)	7	0,791
2.	Neutral Information (NEI)	8	0,837
3.	Accounting Information (ACI)	7	0,819
4.	Self/Firm-Image Coincidence (SIC)	6	0,876
5.	Advocate Recommendation (ADR)	8	0,853
6.	Personal Financial Needs (PFN)	7	0,759

(Source: Field Survey, 2022)

Table 3 Demographic Profile of the Respondents

Characteristics	Profile	Respondents	Percentage (%)
Gender	Male	196	66,89
	Female	97	33,11
Age	Less than 25 years	61	20,82
	25 to less than 40 years	127	43,34
	40 to less than 55 years	89	30,38
	55 years and above	16	5,46
Marital Status	Single	171	58,36
	Married	122	41,64
	Others	0.0	0,00
Academic Qualification	SLC/SEE	38	12,97
	+2/PCL	50	17,06
	Bachelor	137	46,76
	Master	54	18,43
	M. Phil/PhD	14	4,78
Income Level	Below 5 lakhs	190	64,85
	5 lakhs to below 10 lakhs	54	18,43
	10 lakhs to below 20 lakhs	30	10,24
	20 lakhs and more	19	6,48
Companies Share Held	Below 5 companies	141	48,12
	5 to below 10 companies	57	19,45
	10 to 20 companies	51	17,41
	Above 20 companies	44	15,02
Total		293	100,00

(Source: Field Survey, 2022)

Table 4 Summary of Descriptive Statistics of Selected Variables

No	Items	N	Minimum	Mean	Maximum	Std. Deviation
1.	EID	293	7	24,451	35	7,992
2.	NEI	293	8	28,673	40	11,547
3.	ACI	293	7	23,568	35	9,023
4.	SIC	293	6	20,891	30	6,771
5.	ADR	293	8	29,794	40	10,673
6.	PFN	293	7	25,519	35	8,316

(Source: Field Survey, 2022)

Table 5 Independent T-test of Studied Variables

No.	Gender	EID	NEI	ACI	SIC	ADR	PFN
1.	Male	24,55	28,93	23,42	20,70	29,49	25,29
2.	Female	24,25	28,14	23,87	21,27	30,39	25,98
3.	T-stat.	0,812	0,991	0,917	1,093	1,326	0,879
4.	Sig.	0,091	0,090	0,083	0,073	0,071	0,113

(Source: Field Survey, 2022)

Table 6 Correlation Coefficient between EID and Investors' Behavior

No	Items	NEI	ACI	SIC	ADR	PFN
1.	EID	0,512** (0,000)	0,576** (0,000)	0,670** (0,000)	0,573** (0,000)	0,659** (0,000)
2.	NEI	1,000 -	0,314* (0,029)	0,427** (0,001)	0,373** (0,001)	0,471** (0,000)
3.	ACI		1,000	0,351** (0,001)	0,339** (0,001)	0,319** (0,001)
4.	SIC			1,000 -	0,414* (0,002)	0,351** (0,002)
5.	ADR				1,000 -	0,298** (0,005)

The parenthesis indicates the p-value.

**Correlation is significant at the 0,01 level (2-tailed).

*Correlation is significant at the 0,05 level (2-tailed).

(Source: Field Survey, 2022)

Table 7 Model Summary and ANOVA Result

R	R ²	Adj. R ²	S. E.	F-Statistics	Sig.
0,773	0,598	0,579	0,539	69,113	0,000

(Source: Field Survey, 2022)

Table 8 OLS Result of Equity Investment Decision and Investors' Behavior

No	Model	Beta	S. E.	T	Sig.	VIF
1.	Constant	5,423	0,571	9,497	0,000	-
2.	NEI	1,119	0,102	10,971	0,000	1,612
3.	ACI	1,441	0,135	10,674	0,000	1,091
4.	SIC	1,212	0,126	9,619	0,000	1,773
5.	ADR	1,071	0,209	5,124	0,001	1,890
6.	PFN	1,405	0,199	7,060	0,000	1,573

(Source: Field Survey, 2022)

Table 9 Model Summary and ANOVA Results

R	R ²	Adj. R ²	S. E.	F-Statistics	Sig.
0,854	0,729	0,641	0,491	89,327	0,000

(Source: Field Survey, 2022)

Table 10 OLS Result of Equity Investment Decision, Investors' Behavior, and Control Variable

No	Model	Beta	S. E.	T	Sig.	VIF
1.	Constant	5,149	0,511	10,076	0,000	-
2.	NEI	1,029	0,091	11,308	0,000	1,692
3.	ACI	1,317	0,137	9,613	0,000	1,154
4.	SIC	1,313	0,145	9,048	0,000	1,635
5.	ADR	1,092	0,193	5,658	0,001	1,193
6.	PFN	1,399	0,171	8,181	0,001	1,479
7.	GEN	0,543	0,491	1,106	0,093	0,547

(Source: Field Survey, 2022)

Table 11 Summary Results of Hypothesis

No	Hypothesis	Statement	Decision
1.	H _{1A}	Neutral information has a significant positive influence on equity investment decisions.	Accepted
2.	H _{1B}	Accounting information has a significant positive influence on equity investment decisions.	Accepted
3.	H _{1C}	Self-image/firm-image coincidence has a significant positive influence on equity investment decisions.	Accepted
4.	H _{1D}	Advocate recommendation has a significant positive influence on equity investment decisions.	Accepted
5.	H _{1E}	Personal financial needs have a significant positive influence on equity investment decisions.	Accepted

(Source: Field Survey, 2022)