Qualitative Analysis on Investment Decisions of Nepalese Stock Market Investors

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ARTICLE INFO	ABSTRACT
ISSN: 2723-1097 Keywords: <i>Investment decisions; NEPSE; stock market; qualitative analysis; grounded theory.</i>	<i>The paper attempts to examine the experience of the Nepalese investors at the secondary market. The paper explored the investment decisions process of the Nepalese investors. the paper has adopted the grounded theory to generate the theory from the data collected from the semi-structured interview from the stock market investors having an academic background in management. the findings revealed that the investors are eager to invest in the stock market and go for a better experience from their trading at the NEPSE floor. The study exposed a mixed opinion in context to the understanding of the macroeconomic aspects and their influence on investment decisions. The investors forwarded that there is no relation between their investment decision-making process and the macroeconomic factors, while some of the investors stated that they see a connection of the economy with the stock market directly or indirectly. The study came out that the major concern of the Nepalese investors is a fundamental aspect of the listed companies while selecting for an investment. at the same time, investors stated that they go for technical analysis or follow the market trend for the short-term trading at NEPSE floor. The investors are seen at one point that the unstable political situation and insider trading have been major challenges, in context to the Nepalese stock market. Finally, the excessive flow of information related to the listed companies either with some validity or not, made an investor's investment decisions go wrong.</i>

Introduction

Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, grade, etc. of investment and disinvestment. Further, such decision-making has not only to be continuous but rational too. Investors in securities will, therefore, from time to time, reappraise and re-evaluate their various investment commitments in the light of new information, changing expectations, and ends.

Investment choices or decisions are found to be the outcome of three different but related classes of factors. The first may be described as factual or informational premises which are provided by many streams of data which taken together, represent to an investor the observable environment and general as well as features of the

securities and firms in which an investor may invest. The second class of factors entering investment decisions may be termed as expectational premises. Expectations relating to the outcomes of alternative investments are subjective and hypothetical in any case, but their foundations are necessarily provided by the environmental and financial facts available to investors. These limit not only the range of investments that may be undertaken but also the expectations of outcomes that may legitimately be entertained. The third and final class of factors may be described as valuational premises. For investors, generally, these comprise the structure of subjective preferences for the size and regularity of the income to be received from and for the safety and negotiability of specific investments or combinations of investments, as these are appraised from time to time ([Bhalla, 2005](#)).

Investment decision under the conditions of uncertainty, especially on stock, is a difficult process. This is because it represents the selection of stocks among various alternative stocks based on the information gathered and analysed ([Nofsinger, 2014](#)). [Tijjani, Fifield, and Power \(2009\)](#) examined whether stockbrokers and retail investors make use of fundamental, technical, and/or risk analyses in different ways when making investment decisions in Nigeria. The study results have shown that fundamental analysis was the main approach used by Nigerian stockbrokers and retail investors in share valuation for investment purposes; both investors (retail and brokers) multiplied forecast earnings for a company by price-earnings ratio to estimate the intrinsic worth of a share. In the fundamental analysis in the investment decision process, investors also considered cash flows and dividend information about the company, whereas technical and risk analyses were undertaken to supplement the initial conclusion by the retail investors.

[Statman \(2011\)](#) asserted that investment decisions are driven by the wants of investors. An investor can be a risk seeker or risk averter. But every investor makes an investment in a stock market for a higher return. None of them want to make losses. Hence, the investor feels glad or pride when he/she makes a profit and vice-versa. [Jaiyeoba and Haron \(2016\)](#) found that the Malaysian stock market investors normally made investment decisions based on the feeling of comfort and convention rather than analysing quantitative data. Similarly, Malaysian investors mostly rely on their findings rather than following the third party's view while going for investment decisions.

[Jaiyeoba, Adewale, Haron, and Ismail \(2018\)](#) revealed that the fund managers were more comprehensive than individual investors. Although, both the fund managers and individual investors acknowledged the influence of psychological biases on the investment decision, the formers used a different and comprehensive approach to mitigate such influences during the investment decisions compared with the latter. The investment decision processes of fund managers are more comprehensive than those of retail investors. Although both fund managers and retail investors acknowledge the influence of psychological biases on their investment decisions, the former use different and comprehensive approaches to mitigate such influences

during investment decisions compared with the latter. Other important findings are how investors understand the Malaysian economy, their priorities for company selection and challenges faced during investment decisions.

The current paper tries to examine how the Nepalese individual investor goes for the ultimate investment decision and what are the grounded facts that have been influencing in making a specific investment decision.

Literature Review

There are two distinct theories in finance namely, neoclassical, and behavioural theory. Both the theories have been in an investment decision implication under the condition of uncertainty. However, both theories have equal relevancy and complement each other in an investment decision-making process ([Shiller, 2006](#)).

[Malkiel and Fama \(1970\)](#) stated that all the available information at a particular time is incorporated while estimating the prices of financial assets in an efficient market. Because of this, the proponents of the Efficient Market Hypothesis argued that active traders or portfolio managers are not likely to produce superior returns that beat the market but returns that warrant associated risk of the investment. They termed the market, 'efficient', where a price of security always 'fully reflect' available information to an investor.

[Barber and Oden \(1999\)](#) assumed that two predictions of behavioural finance, that have implications for investors as well as for investment professionals. They are namely, that investors tend to sell their winning stocks and hold on to their losing stocks and because of overconfidence, investors trade too much. They found that the average individual investor pays an extremely large performance penalty for trading and that those investors who trade most actively earn, on average, the lowest return. Hence, none of the investors could beat the market and outperform the return by trading in high volume. They found that only overconfidence in an investor gave courage toward misguided convictions. They argued that there is a systematic bias have their origins in human psychology.

[DeBondt et al. \(2010\)](#) came out with three elements of the psychology of investors to explain behavioural finance. The first element was cognitive or behavioural psychology, which explains how investor mind does a requisite calculation that needed to increase wealth, the second social psychology which appreciates person acts and find the way for acceptance, and finally the emotional responses to the concentration of trading, investor focus on decision-making not precisely on calculation. Hence, the paper came out with a view to optimum utilizing behavioural financial research to address the gap between the academicians and practitioners.

[Jagongo and Mutswenje \(2014\)](#) found that individual investors were influenced by the reputation of the firm, the firm's status in the industry, and fundamentals factors

of the firm while going for an investment decision. They found that active investors normally behave following the overall trend prevailing in the market, looking after the goodwill of the company, and minimizing risk.

Method

A paper has adopted a qualitative research method to examine the investment decision behaviour of stock market investors in Nepal. A grounded theory approach has been selected to fulfil the objectives of the paper. The approach has been accepted and applied widely in investigating stock market investors' behaviour ([Middleton, Fifield, & Power, 2007](#); [Tijjani et al., 2009](#); [Mohamad & Perry, 2015](#) and [Jaiyeoba & Haroon, 2016](#)).

In grounded theory, the ultimate criterion for the final sample size is theoretical saturation ([Strauss & Corbin, 1998](#)). Theoretical saturation employs the general rule that when building theory, data should be gathered until each category (or theme) is saturated ([Creswell & Poth, 2018](#)). A paper has considered purposive sampling. Nepalese investors who have been regular trading at the NEPSE floor with a management education background were picked as a sample for the paper. Moreover, an interviewee was selected with a formal invitation through Gmail (after making a telephonic conversation) requesting to communicate with the researcher.

A semi-structured questionnaire was used to interview the interviewee. The paper used a guided question to gather opinions from interviewees. The paper used five guided questions relevant to the Nepalese stock market as an instrument. The guided questions were forwarded to the interviewee during an interview. The forwarded five guided questions were:

Q.1. Does an investment experience make you stay or leave the stock market?

Q.2. How do you understand the Nepalese economy and how it affects your investment decision?

Q.3. How do you prioritize company selection for investing?

Q.4. What are the challenges in making investment decisions in the Nepalese stock market?

Q.5. What makes your investment decisions go wrong?

All these questions were open-ended in nature and they were designed as such to allow the interviewees to express themselves about what the study intended to find out in a relaxed manner ([McCluskey, Broderick, Boyle, Burton, & Power, 2010](#)). After the consent from the interviewee, the guided questions were put forward by the researcher. Each of the interviewees was forwarded with the same set of questions

during an interview. Any confusion in the answers forwarded by an interviewee was reconfirmed through Gmail.

On the anonymity, all the interviewees were assured that their information and identity will remain strictly confidential. Hence, the identity of the interviewees was coded during memoing of the interview. The collected information was segmented by open coding for better categorization of the information.

Validity in context to qualitative research needs to address trustworthiness, authenticity, and credibility ([Creswell & Miller, 2000](#)). The paper followed member checking to determine the accuracy of the qualitative findings through forwarding the final report or specific descriptions back to interviewees via Gmail and determining whether they feel that they are accurate.

Result and Discussion

Description of Interviewees

Table 1 elaborated the description of interviewees who gave the opinions in due course of interview with the researcher.

Table 1. *Description of Interviewee*

Interviewee	Gender	Age	Qualification	Investment Experience	Sector (s) Invested
1PB	Male	22	Bachelor	6 months	Banking/Finance
2RR	Male	25	Master	3 years	Banking
3RS	Male	27	Master	2 years	Banking
4BS	Male	54	Bachelor	12 years	Banking/Life Insurance
5RD	Male	44	M. Phil.	11 years	Banking/Development Banks, Life Insurance/Non-life Insurance/Micro-finance/Hydropower
6FM	Male	26	Master	3 years	Banking/Life Insurance/Non-life Insurance/Hydropower
7DP	Male	19	Bachelor	1 year	Banking
8AP	Male	50	Master	10 years	Banking/Life Insurance/Non-life Insurance/Finance/Development Bank
9TM	Female	26	Master	6 years	Banking/Finance/Microfinance/Hydropower/Others
10AP	Male	35	Master	4 years	Banking/Hydropower/Life Insurance/Non-life Insurance
11SK	Male	37	Master	7 years	Banking/Micro-finance/Life Insurance/Non-life Insurance/Hydropower/Others

Interviewee	Gender	Age	Qualification	Investment Experience	Sector (s) Invested
12BS	Male	40	Master	5 years	All sectors except Mutual Funds
13RK	Male	35	Master	1.5 years	Banking/Hydropower/Non-life Insurance/Life Insurance
14SG	Male	33	Master	2 years	Banking/Hydropower/Non-life Insurance/Life Insurance
15PK	Female	33	Master	6 months	All sectors
16RK	Female	22	Bachelor	2 years	Banking/Hydropower/Life Insurance
17NS	Male	34	M.Phil.	6 years	Banking/Microfinance/Life Insurance/Non-life Insurance
18RB	Male	50	M.Phil.	21 years	Banking/Microfinance
19NM	Male	22	Bachelor	6 months	Banking/Non-life Insurance/Hydropower
20DT	Female	22	Bachelor	6 months	Banking/Hydropower/Life Insurance
21SB	Male	25	Master	6 months	Banking/Finance/Hydropower
22MS	Male	35	Master	3 years	Banking/Finance

Note: There are securities of 13 sectors (including mutual funds) listed at NEPSE.

Source: Interview with respective Interviewee

Table 1 elaborates the basic profiles of the interviewees. Of the total 22 interviewees, 4 interviewees are seen as female, and the remaining are male. Looking at an academic qualification, 3 interviewees have a degree of Master of Philosophy (M.Phil.), 13 interviewees have a degree of Master and the remaining 6 interviewees have a degree of Bachelor. Similarly, the minimum investment experience in the trading floor of NEPSE was from at least 6 months to 21 years. At the same time, an interviewee was seen investing in a single sector to all sectors of the listed companies at NEPSE. Nevertheless, all of them from a single sector to all sectors, the shares of the banking sector are seen as their main choice in making a portfolio. Investment experiences and level of academic qualifications have no concern in the diversification of the investors' portfolio.

Analysis

This section covers a discussion on the emerged themes generated from the collected, transcribed, and coded information from interviewees. The opinions forwarded by interviewees are divided into five themes and further interpretations have been conducted to articulate a substantive-level theory to explain the process of going for an investment decision by Nepalese investors at NEPSE. To get better insight, following each theme are discussed below:

Theme 1: Investor's experience and their prospect to stay or leave the stock market

This theme elaborates the participants' experience as investors and whether they would like to remain active in the stock market. It is essential to know the impact of their prior investment experience on the subsequent purchase of shares because it has been documented that investors' previous experiences influence their participation in the stock market ([Strahilevitz, Odean, and Barber, 2011](#)). The results show an exception to one interviewee, most of the interviewees are eager to stay at NEPSE despite their experiences of lows and highs in return from the market. The following responses shows eagerness to stay in the market after their trading experiences:

I am new in the market and I will be staying in the market for coming more years. [Interviewee 1PB]

Lower the market index comes better to stay for happy investing. I will rebalance my portfolio also during the bearish trend. [Interviewee 2RR]

If the market rises, I think I will continue the trading, but if it starts to fall, I just one to give up. [Interviewee 3RS]

I want to stay. I am interested in market fluctuations. [Interviewee 4BS]

..... a decade ago, the investment was at the wrong time and the market had gone to the lowest. I had to stay, there was not an option.

..... learning process taught me more to earn some amount.

Nowadays, the stock market is becoming an addiction with the help of online trading. [Interviewee 5RD]

Experience makes me stay in the market. [Interviewee 6FM]

..... the best investment platform for every investor. Investment experience never makes me leave to the stock market it is an accumulation of investment knowledge and skill that always helps to better earn from the market. [Interviewee 9TM]

.....stock market is growing as well as large number of people are attracted to invest at stock market. I have an interest in the changing patterns of market, so I will stay in the market. [Interviewee 11SK]

Yes, I want to stay. My experience is mixed and encouraged me to stay in the market. [Interviewee 12BS]

No specific reason, generally looking at the market condition makes me stay in the market. [Interviewee 13RK]

.....I am going to stay for long-term. [Interviewee 15PK]

I want to stay in the market because I am enjoying it. [Interviewee 16RK]

As per the market trend, I stay or come out of the market. [Interviewee 17NS]

Nothing else, just return from the market, makes me to stay in the market. [Interviewee 18RB]

As per my experience, I stay in the market in bull trend and come out in the bearish trend. [Interviewee 19NM]

I want to stay in the market. [Interviewee 21SB]

I see a source of income and market automation has increased better investment opportunities. [Interviewee 22MS]

However, one of the interviewees expressed dissatisfaction and was not interested in the market, as earlier it used to be. The interviewee expressed as:

My investment experience in the market for the last decade makes me leave because the market is showing a huge fluctuation which I could not handle.
[Interview 8AP]

Theme 2: Investor's understanding of the Nepalese economy and its effect in investment decision

This theme deals with how an investor understands the Nepalese economy and how it has been affecting his/her investment decision at the stock market. When making investment decisions, one important tool, though this is part of the fundamental analysis, is to understand the state of the economy ([Mohamad and Perry, 2015](#)). In context to Nepal, more than 60 percent of the market capitalization of the stock market, NEPSE is covered by the market capitalization of banks and financial institutions on daily basis (<https://www.nepalstock.com>). The study has shown that there is a cointegration of GDP with the market capitalization but negative relation with the market capitalization ([Vaidya, 2021](#)). Nevertheless, empirical results have also been showing no relation of the market with an economy, interviewees as well, are not interested in the economic aspects of nations while making their investment decisions and even were rigid to their opinions that there is no relation of economic fluctuation with the NEPSE trend. The statement is supported by the opinions, which are as follow:

.....I eagerly follow indicators of the economy. All indicators show poor condition, but apart from whatever macroeconomic indicators reflect, I also eagerly invest in the market knowing the economic scenario. [Interviewee 3RS]

.....GDP is about twice lower than service sector contribution to GDP. Nowadays, remittance helps to create demand in the market somewhat. And our market valuation is near to GDP, Financial institutions have occupied more than 60% market. Other sectors' presence is not praiseworthy. In this scenario, our investment is not secured. Our share market is not a mirror of our economy. [Interviewee 5RD]

.....not the economic indicators but political changes and events have been hampering me before going for an investment decision. [Interviewee 6FM]

.....it does not affect my investment decisions as there is no correlation between the variables of the economy and the stock market. [Interviewee 8AP]
Our main income source is remittances. Nepal faced the biggest challenge in achieving higher economic development are the political issues as well as corruption and unstable politics. In any crisis of our country
.....condition directly affects our stock market as well as other sectors. That is why it is also hampered our investment planning.
[Interviewee 9TM]

Nepalese economy is small, yet diverse. My investment decision is based on reports (of listed companies) rather than economy. [Interviewee 10AP]

There is some relationship with Nepalese economy. However, it does not impact much on my investment pattern. My investment decision is influence by the liquidity and bank interest rate. [Interviewee 12BS]

My investment decision depends on the political scenario and company scenario (performance). [Interviewee 14SG]

Economic scenario does not affect my decisions, as it has no relation to stock market in context to Nepal. As you see there is no improvement in economic condition, but the market is in bull trend. [Interviewee 19NM]

Nevertheless, most of the interviewees did not think there is a direct impact by the macroeconomic factors in their investment decision at the stock market. But four of the interviewees stated somehow there is an interrelation between Nepalese economy and their investment decisions in the stock market.

Nepalese economy is an agro-based and have a nature of mixed-economy. In context to stock market investment aspects, economy impacts on market size, growth, interest rate, availability of fund and government policies.....and if the return in high from an investment, one can always want to take a risk. [Interviewee 11SK]

Yes, I closely see the economic aspects and it is affecting in my investment decision. [Interviewee 16RK]

Stock market is the mirror of the economy. Monetary policy and fiscal policy are my concern. I see the relation between the economy and stock market. [Interviewee 17NS]

Economic factors affect in my investment decisions, especially in the traded volume of shares. [Interviewee 18RB]

Market studies, government actions, policies, and through study of companies are needed..... Since I am investing in the Nepalese market, the phase of the economic cycle causes buying and selling actions. For me, in recession periods I would like to buy and hold banking sectors' stocks. [Interviewee 21SB]

There is a contribution to GDP from stock market capitalization, so there is a slight association with an economy. Though it is my way of risk management and to take a risk, as well as being a businessman economic aspect is my great concern. [Interviewee 22MS]

Theme 3: Investor's priorities in company selection for investing

The theme looks at how a Nepalese investor priority in selecting the companies for investing at NEPSE. The portion of market capitalization data reveals that more than 60 percent of the total market capitalization of NEPSE is covered by banks and financial institutions. Among the ten sectors categorized by NEPSE, only banks, development banks, finance companies, and micro-finance are governed by the central bank of Nepal, Nepal Rastra Bank and life-insurance companies, non-life insurance

companies, and reinsurance companies by Beema Samiti (Insurance Board). The remaining sectors are mainly supervised by the Securities Board of Nepal (SEBON) and by related sector's respective Departments and the Ministry of Government of Nepal. [Shrestha \(2012\)](#) found that the market price per share was the deciding factor in NEPSE securities trading and the investors believed that the size effect is the major firm's variable that affects stock returns. [Gautam and Bista \(2019\)](#) also concluded that the firm's size is positively related to the market price per share and price-earning ratios of the listed insurance companies' shares at NEPSE. Based on the interviewee's responses also the fundamentals of the listed companies were a major factor while selecting a company for investment. Though the stocks of ten sectors are listed at the NEPSE with mutual funds and limited debt instruments, the Nepalese investors seem much attracted to the shares of banks and financial institutions, whose information is readily available in every quarter of the year. The following statements show how Nepalese investors prioritize company for investment:

..... fundamentally strong company is my priority. [Interviewee 1PB]

I prefer class 'A' banks for long-term investment. I look at the activities of the company. I go to social media and do analysis. I also seek the help of older and experienced friends. [Interviewee 3RS]

I go for the policy of the company first and then I go through the financial performance of the company.....at the same time, my first choice is bank then life insurance as they are under supervisions of governing bodies but other sectors, I feel fishy. [Interviewee 4BS]

..... capital, reserve, growth rate, EPS, PE Ratio, dividend history are my concern. [Interviewee 6FM]

I do the time-value analysis, look at the board members and then see the financial statements of the company. [Interviewee 8AP]

First, I analyse company fundamentals, past profit growth is ascending order or not. And liquidity of the stock, check earnings per share, PE ratio, future planning, etc. [Interviewee 9TM]

I generally look for profit/loss for a few years. [Interviewee 10AP]

I select the company based on fundamentals (indicators) like EPS, PE ratio, ROE and growth.....usually for long-term. [Interviewee 12BS]

I randomly select the company which is performing well in the market to invest in. [Interviewee 13RK]

Performance of the projects handled for hydro sectors,..... policy announcement for the insurance companiesto say overall performance of the chosen companies for investing. [Interviewee 16RK]

I go for fundamental analysis for long-term and technical analysis for short-term trading. [Interviewee 17NS]

I go through fundamentals of the companies. [Interviewee 18RB]

I choose specific sectors' shares for long-term or short-term investment, looking at their performance. [Interviewee 10NM]

I go for the best performing companies at the trading floor. [Interviewee 20DT]

I prioritize those companies whose operational profits are huge compared to their operational expenses, and which have high earnings per share. [Interviewee 21SB]

'Trend is a friend'. Low MPS, high transaction volume, dividend pay-out ratio, and other fundamentals are my concern. [Interviewee 22MS]

Theme 4: Challenges faced in making investment decisions in the Nepalese stock market

It is not an easy task to decide to make an investment in a specific type of asset and develop a portfolio. Hence, this theme deals with the challenges faced by a Nepalese investor while making an investment decision. [Riaz, Hunjra, and Rawalpondi \(2012\)](#) stated that as simple as "buy low, sell high" is, making an accurate investment decision is a difficult process. To make such accurate decisions, investors are faced with different challenges. [Risal and Khatiwada \(2019\)](#) found that Nepalese investors were doing hasty decisions with herd behaviour while investing in NEPSE. Hence, the following opinions forwarded by interviewees reflect the challenges in making investment decisions at NEPSE:

Frankly speaking, the unnecessary flow of information (cannot say relevant or irrelevant) especially on social media, makes investment decisions more complex. [Interviewee 1PB]

..... the biggest challenge in deciding in Nepal is for political reasons. [Interviewee 3RS]

Lots of challenges are there, from where I start to say..... technical problem in the online trading system, lack of financial data of all the listed companies, interest rate fluctuations, rumours at the market, uncertain political situation, limited diversification in sectors and much more..... [Interviewee 5RD]

We get limited information related to the company we want to invest in. [Interviewee 6FM]

Political uncertainty and at the same time entry of inexperienced investors makes the market volatile. [Interviewee 7DP]

Information flow is overload, unknown risk, unstable political situation, and much more. [Interviewee 8AP]

Much political violence and leadership are changing, liquidity position in the banking sector, the interest rate is increasing its also affect our decision. The market trend is also a challenge of our investment planning. [Interviewee 9TM]

At times, my decisions are based on news and a couple of times I have made unwise decisions by following the news. [Interviewee 10AP]

Insider trading, immature investors, inaccurate data, investment based on speculation, influences of big investors and brokers and lack of proper knowledge about the market makes decisions go wrong.....also going for stock market investment has become just fashion (with knowing fundamentals also).

Immature investors movements in market added challenges. [Interviewee 11SK]

It is difficult to predict the market..... it goes up and fall based on rumours and big players cornering.....[Interviewee 12BS]

Instability in government and fake information related to the market makes me difficult in decision-making. [Interviewee 13RK]

Political instability, inside trading and limited trading facilities outside capital, Kathmandu make investment in Nepalese stock market challenging. [Interviewee 15PK]

Fake information, political scenario and much more.... [Interviewee 17NS]

Activities of big players (investors) and brokers, there can be sudden ups and down.....which I see major challenges. [Interviewee 19NM]

Lack of overall information related to the company I want to invest. [Interviewee 20DT]

The challenges in making investment in Nepalese stock market are several. They are political instability, issue on online trading system, whimsical traders, and investors, and much more. [Interviewee 21SB]

I see political instability as a challenge. [Interviewee 22MS]

Theme 5: Investor's investment decisions go wrong

This theme identifies why the investment decisions of Nepalese investors sometimes go wrong. [Raut and Kumar \(2018\)](#) concluded that inexperienced investors came out to be more irrational decision-makers than experienced ones under the influence of anchoring bias. This finding suggests that Indian investors who were new in the financial market based most of their decisions on a reference point (anchor) which is the investors' very first information about a stock's performance. In context to the Nepalese stock market also, inexperienced investors felt similar issues as found in an Indian stock market. Interviewees have forwarded their views as per their experience duration in the market, as follow:

..... quick panic when buying or selling. In some cases, even deciding based on the opinions of friends can affect investment. [Interviewee 3RS]

The charm and hearsay of a specific company attract me to invest but later the reality comes with different results. [Interviewee 4BS]

.....rumours, over-bought or over-sold, panic, shifting of a portfolio, and much more. [Interviewee 5RD]

Lack of proper information about the company. [Interviewee 6FM]

Investing without a goal, panic transactions conducting, high expectation, and following rumours. [Interviewee 8AP]

In more volatility, fluctuations, and speculation in the market, quick decision and less information of companies and our economy also affect our decision. [Interviewee 9TM]

.....coherent bias news on goodwill of certain companies. [Interviewee 10AP]

.....insider trading, inaccurate data, peer-pressure, investing based on speculation makes my decisions go wrong. [Interviewee 11SK]

.....while following the microeconomic aspects of Nepalese economy, my investment decisions go wrong, so I prefer to follow macroeconomic aspects. [Interviewee 14SG]

Influence by friends as well as information from traders..... [Interviewee 15PK]

Political instability, hearsay information, listening to others investment decisions...[Interviewee 16RK]

Inside trading, delay in decision making in the policy level from the governing bodies, trading system of NEPSE[Interviewee 17NS]

Overloaded information causes error in my investment decision. [Interviewee 18RB]

.....listening rumours, pre-information related to dividend announcements which may not be an accurate information makes decisions to trade goes wrong. [Interviewee 19NM]

Listening rumours related to companies. [Interviewee 20DT]

.....following market sentiment, unanalysed investment decisions, panic buying and selling, lack of patience, lack of research, and system crash. [Interviewee 21SB]

Wrong information floated in the market makes sometimes my decisions go wrong. [Interviewee 22MS]

Overall, this part of the paper illustrated the verbatim quotations as presented by interviewees. After all the themes were transcribed from the interview data, a picture of the grounded theory emerged for how the Nepalese individual investor goes for the ultimate investment decision.

[Jullisson, Karlsson, and Garling \(2005\)](#) found that the experience from the past can impact the future decision, if something positive outcomes from financial decisions come out, the people intend to follow the same decision. [Strahilevitz et al. \(2011\)](#) found that prior experience makes an investor stay in a market. In contrary to the above findings, [Sagi and Friedland \(2007\)](#) found that people tend to avoid the mistakes they have made in the past and stated that past experiences are not necessarily the best decisions to bring out the better return in the present context. The study brought out that the Nepalese investors are eager to stay in the market whatever they have faced ups and downs during their past trading experiences. An investor, who started to leave the market brought out with the logic that a high level of fluctuation (volatility) made to leave the market.

Empirically, a stock market is termed as a barometer of the economy of the nation. It reflects the nature of the economy. [Vaidya \(2021\)](#) in context to Nepal had shown a cointegration of GDP with the stock market capitalization but a negative relationship with the market capitalization. The paper also came out that there is no relation

between the economy and the return from the stock market as viewed by all the interviewees.

An investor either goes for the fundamental analysis or technical analysis of the company they are going to invest in. [Tijjani et al. \(2009\)](#) concluded that investors were more interested in the fundamentals of the company in which they are going to invest. [Gautam and Bista \(2019\)](#) found that MPS and price-earnings ratio were concerns while choosing a company to invest in NEPSE. In context to Nepalese investors, better knowledge, or idea of fundamentals about a respective listed company make investors choose a company. They ultimately, choose shares of banks and financial companies or insurance companies as they publish accounting information quarterly with better-governing bodies.

The paper found that political instability is the major challenge and the overloaded information, which is difficult to filter, made decision-making harder for Nepalese investors, which was contradictory to [Risal and Khatiwada \(2019\)](#). They found that the hasty decisions making process and the herd behaviour among the Nepalese investors made them go for wrong investment decisions.

[Kengatharan and Kengatharan \(2014\)](#) found herding behaviour to have a positive impact on investors' decision-making in Sri Lanka, especially, gathering in a group for discussion related to the trading decision at the stock market. Similarly, in context to Nepal. [Raut and Kumar \(2018\)](#) concluded that inexperienced investors came out to be more irrational decision-makers than experienced ones under the influence of anchoring bias. The paper revealed that lack of proper information followed by panic sell or buy after rumours made investors go for a wrong decision. The behaviour was influenced by anchoring bias for both the mature and young investors.

Conclusion

The paper came out with new concepts on an investment decision-making process among Nepalese investors. The first new concept which was not earlier recognized in context to the Nepalese stock market was, whatever the market takes a direction, either bullish or bearish trend, Nepalese investors are eager to stay in the market. This shows that a better investment strategy could make an investor generate a better return from the NEPSE in any scenario, either in a bullish trend or bearish trend.

Secondly, the Nepalese investors do not think that there is no relation between the economic condition of the nation and the stock market trend. The investors who saw the relation of stock market movement with the economy stated that there is no direct relation, nevertheless, it has been influencing their investment decision-making process. Thirdly, the Nepalese investors were reluctant with the flow of unnecessary rumours followed by bias news of specific companies and information related to a stock market that has been hampering in better investment decisions. The investors are much interested in getting the fundamental information of the listed companies to

make an accurate investment decision with a better return. This shows that the fundamentals of the company are the main concern of most Nepalese investors to go for making a portfolio in the stock market. Hence, the sectors which have been providing regular information related to the company's fundamentals are the first choice, i.e., banks and financial institutions, and insurance companies for the Nepalese investors. Despite of following fundamentals of the listed companies, investors were either interested to follow the market trend or go for technical analysis for short-term trading at NEPSE.

Nevertheless, the political instability has been the major setback for the Nepalese investors to bring out a better return from their investment decisions at the stock market. Similarly, rumours related to the listed companies in the Nepalese stock market have increased volatility in the market.

Nepalese investors seem divided on whether the macroeconomic factors influence their investment decisions or influence the market fluctuation. This division in perception among the Nepalese investors needs to be addressed properly with better research with larger dataset analysis. Though the paper came with an investment behaviour pattern of the Nepalese investors, further in-depth analysis could be done applying specific behavioural finance theory and increasing the respondents' size to bring a better conclusive theory building based on the grounded theory approach.

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