

Psychological Triggers of Investment Decision Making: *A Nepalese Perspective on Behavioral Biases*

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Abstract

This study investigates psychological triggers and behavioral biases shaping investment decisions among Nepalese investors. Employing a descriptive cum causal-comparative design, data from 305 respondents were analyzed using ordinary least squares regression to assess the influence of cognitive and behavioral factors on investment decisions. Findings reveal that emotional intelligence and risk perception are strong positive predictors of investment decisions, while status quo bias and decisional paralysis act as significant behavioral barriers. Cognitive-emotional considerations were found to outweigh rational calculations, with narrative biases reinforcing subjective choices, whereas algorithm aversion and fear of missing out (FOMO) showed no significant effect when controlling for other variables. The study's reliance on self-reported, cross-sectional data from a purposive sample limits causal inference and generalizability. These results underscore the importance of enhancing emotional intelligence, risk assessment, and behavioral interventions to mitigate biases, offering novel insights into behavioral finance in the Nepalese context.

Keywords: Behavioral biases, emotional intelligence, investment decisions, psychological triggers, risk perception

Cite as: Sapkota, M. P., & Khadka, S. (2026). Psychological triggers of investment decision making: A Nepalese perspective on behavioral biases. *Journal of Business and Social Sciences Research*, 11(1), 1-16. <https://doi.org/10.3126/jbssr.v11i1.98996>

INTRODUCTION AND OBJECTIVES

Investment decision-making is a complex and multifaceted process that is rarely determined purely by the rational analysis of financial data, market trends, and historical performance. Traditional financial theories, like the Efficient Market

Hypothesis (EMH) and Modern Portfolio Theory (MPT), presume investors act according to objective evaluations of risk and return (Fama, 1970; Markowitz, 1952). However, studies in behavioral finance have shown that psychological and behavioral factors, particularly psychological biases, significantly influence investors' behavior (Barberis & Thaler, 2003; Kahneman &

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Tversky, 1979; Shefrin, 2000). Psychological triggers like overconfidence, loss aversion, and mental accounting are well known for the effects they can have on financial decisions (Baihaqqy et al., 2020; Silva et al., 2023). In addition, narrative biases, in which investors act based on emotionally charged or narrative-like information rather than the archetypal financial data, often result in skewed investment predictions and decisions (Johnson, 2017). These biases lead the investor to deny temporal order in information, making over-optimistic projections about future asset performance and suboptimal allocation decisions. An aspect that has a significant impact on choices is confirmed algorithm aversion, in which decision-making in favor of human judgment (and sometimes personal experience) takes place over just relying on algorithmic predictions with proven accuracy (Burton et al., 2019; Mahmud et al., 2022). Moreover, the disposition effect, which means that investors sell winning stocks early and hold losing flags too late, makes investor decisions even more difficult, which often leads to missed opportunities and higher losses (Sudirman et al., 2017; Yao, 2022).

Another phenomenon associated with young investors who put more emphasis on short-term market fluctuations than long-term stability (Idris, 2024) is Fear of Missing Out (FOMO), which also turns out to be able to affect many investment decisions. Likewise, decision paralysis, which can arise from information overload and uncertainty, has been found to deter an investor's ability to timely make and successfully implement choices like those of consumer and financial markets (Viknesh et al., 2021). Moreover, status quo bias (SQB), a common psychological trigger identified in individual

and institutional investments, observes that an individual prefers the status quo and avoids trouble coming from changes (Xiang, 2023), even in the presence of better alternatives. In addition, risk perception also relies on emotional intelligence, which can play a significant role in influencing investment behavior since those with high emotional intelligence tend to take rational investment decisions and are aided by financial literacy (Chaurasia & Murari, 2024; Shroff et al., 2024).

With the ever-increasing complexity of financial markets and psychological aspects playing a major role in decision-making, it becomes essential to have knowledge of how these psychological triggers interact with each other or overlap, such as it may help improve investment strategies. However, as per the base of the research, existing literature has not yet clearly explained these biases, how they interact, and how they affect investors when using these biases together in their investments, especially in real-world investments. Hence, this paper investigates the influence of narrative biases, algorithm aversion, disposition effect, FOMO, decision paralysis, status quo bias, risk perception, and emotional intelligence on investment decision-making. Although there have been significant theoretical developments in the literature around behavioral finance, we still have limited knowledge about how different psychological stimuli affect decision-making in terms of investment. Philosophies of investment anchored on the premise that the investor is fully rational ignore the psychological influences that permeate financial decisions made by investors (Barberis & Thaler, 2003; Fama, 1970; Kahneman & Tversky, 1979). Due to biases like overconfidence, loss aversion, and mental accounting, investors are often

misled into suboptimal decisions (Baihaqqy et al., 2020; Silva et al., 2023). Various biases like FOMO (fear of missing out), algorithm aversion, and status quo bias compound the problems that investors face in making proper financial decisions. Furthermore, while risk perception and emotional intelligence have also been found to significantly decouple such biases, what eludes understanding is the process by which they contribute to these biases in both individual and institutional investment (Chaurasia & Murari, 2024; Shroff et al., 2024). The strategy has evolved over the years to reach its goals and assist and share knowledge through technical assistance and capacity development with NEPSE to further develop and modernize the Nepalese stock market, which has seen significant development in terms of increasing disposable incomes, technology, and government policies. Nevertheless, psychological biases like overconfidence, disposition effect, herding behavior, and loss aversion have resulted in less-than-optimal investment decisions, which can compromise market efficiency and individual financial health (Barber & Odean, 2001; Kahneman & Tversky, 1979; Shiller, 2000). These issues have been highlighted in existing literature, yet there is limited research that examines the role of behavioral biases in the investment decision-making process in Nepal (Joshi, 2020; Regmi & Gauchan, 2020). Such a gap prevents the formulation of tailored plans towards reducing these biases and improving the investor decision-making process (Ghimire & Mishra, 2021). The major objectives of the study are to determine the factors affecting psychological triggers in investment decision-making, to examine the impacts, and to identify the relation between various aspects of psychological aspects of investment decision-making.

LITERATURE REVIEW

This part of the paper covers the literature review.

Behavioral Finance: Behavioral finance challenges the assumption of investor rationality by demonstrating that cognitive and emotional biases systematically shape decisions. Prospect Theory established that investors are loss-averse and reference-dependent (Kahneman & Tversky, 1979), building on earlier work about heuristics like anchoring (Tversky & Kahneman, 1974). Key biases include overconfidence, which drives excessive trading (Gervais et al., 2011), and the disposition effect. As Barberis & Thaler, (2003) synthesized, these psychological factors, combined with limits to arbitrage, explain persistent market inefficiencies, necessitating models that incorporate irrationality.

Mental Accounting : Mental accounting, a notion proposed by Thaler in the 1980s, is essential in determining investment and consumer decisions because it affects how things are grouped, money is allocated, and things are cost-benefit analyzed in financial contexts (Silva et al., 2023; Zhang & Sussman, 2017). The motivation to use this heuristic has been investigated in relation to savings, investment, debt, and consumption within the behavioral finance framework, where it has often been studied alongside other behavioral finance concepts, such as prospect theory, framing, and overconfidence, and bibliometric analyses have discussed how well-known works of Kahneman, Tversky, and Thaler have paved the way for this phenomenon within this field (Silva et al., 2023; Prawitasari, 2024).

Financial Literacy: Baihaqqy et al. (2020); Shroff et al. (2024) have explored the role of

financial literacy as a major driving factor in investment decision-making, noting that the higher the level of literacy, the better the investment quality. Many studies published as systematic reviews and empirical studies also mention that it acts as an engine of economic growth, just like some of the studies mentioned how financial literacy impacted people for their investment decisions performed in developed countries and then emerging markets, where some studies in Indonesia found out that a discrepancy exists, which indicates a high number of inadequate financial literacy and a low level of investment, which emphasizes the importance of targeted financial education programs over general education programs that just spread wider knowledge (Maurya et al., 2023; Sanjaya, 2023).

Narrative Information: Johnson et al. (2017) demonstrated that when it comes to making investment predictions and decisions, individuals employ narrative thinking, where relevant emotional, narratively oriented information frequently takes precedence over financially relevant information, which in turn leads to biased predictions and asset allocation choices, irrespective of the person's skill level. In the context of behavioral economics, the study conducted by Campbell et al. (2008) reveals that although narrative information has the potential to impact individual decision-making, first-person narratives tend to be more influential than others; the evidence in support of this observation is nevertheless inconsistent.

Disposition Effect: The disposition effect describes the tendency of investors to sell winning stocks too early while retaining losing ones, reducing profits and increasing losses (Sudirman et al., 2017; Yao, 2022). This behavior is explained by prospect theory and is often seen in prevention-focused individuals,

with contributing factors including emotional biases and trading intensity (Kajol et al., 2020; Kaustia, 2011). The effect is more pronounced among household investors and can influence overall market behavior by elevating trading volume and extending stock price momentum (Kaustia, 2011).

Algorithm Aversion: Algorithm aversion, the reluctance to trust algorithmic decision-making despite its performance, is influenced by factors related to the algorithm, the user, the task, and the context (Mahmud et al., 2022). Key causes include unmet expectations, a desire for autonomy, and cognitive misalignment (Burton et al., 2019). This is evident in finance, where revealing AI's use in investment recommendations can trigger client withdrawals, mediated by emotions like attentiveness (Downen et al., 2024). However, some studies report contrary findings, indicating a need for further modeling to integrate theories of algorithm interaction with specific contexts (Jussupow et al., 2020).

Fear of Missing Out (FOMO): Fear of Missing Out (FOMO) biases younger investors toward short-term gains, accelerating market volatility (Idris, 2024; Phung et al., 2024), a link mediated by their financial literacy and risk perception (Goeyana et al., 2024; Prasaja et al., 2023). Concurrently, emotional intelligence (EI) is a critical decision-making factor, with its positive impact moderated by financial literacy (Chaurasia & Murari, 2024; Zaen & Subriadi, 2024). These findings collectively highlight promoting both EI and financial literacy as critical tools for improving investor behavior and combating biases (Idris, 2024; Tanvir et al., 2016).

Risk Perception: Risk perception is a basic element in investment decision-making influenced by factors such as uncertainty of

return, degree of financial literacy, and likely loss (Sindhu & Kumar, 2014). According to studies, risk perception negatively affects investment decision-making, while risk tolerance and overconfidence have a positive effect on investment decision-making processes (Nur et al., 2019). Based on the work of Paul Slovic, psychological factors critically impact all investors' decisions in complex markets, and behavioral finance reveals risk's multidimensional nature, with 150 financial risk proxies and 100 behavioral phenomena (Ricciardi, 2004; Ricciardi, 2007).

Decision Paralysis: Decision paralysis (also known as choice overload), which refers to the experience of having a hard time due to multiple choices, has a huge impact on investment and consumer behavior. Corporate investment decisions are influenced by information asymmetry, policy uncertainty, and governance quality (Farooq et al., 2022). In such consumer settings, decision paralysis is often reflected in the food and beverage industries, in which wide-ranging menus can completely overwhelm customers, exacerbated by the choice overload and decision task complexity (Adriatico et al., 2022; Viknesh et al., 2021). Along with this, entrepreneurs get stuck with analysis paralysis in some of the main aspects, like strategy selection, investment decisions, and product-market fit, that also impact productivity and procrastinate on crucial actions (Dutta, 2023). These revelations signal the need to eradicate decision paralysis to improve the efficiency of decision-making, both commercially and personally.

Status Quo Biases (SQB): SQB is a common behavioral bias that influences investment decision-making in a variety of contexts. Venture capitalists are also more likely to demonstrate SQB by reinvesting in sectors

they know and understand, which underlines SQB's practical applicability (Harbi & Toumia, 2020). This bias, influenced by subjective and objective factors, appears in stock investments and can delay organizational adaptation to technological change, highlighting the need for measuring and dampening tools (Godefroid et al., 2022; Xiang, 2023). A systematic review shows SQB's role alongside biases like overconfidence and loss aversion, finding that strategies to minimize it can enhance investment decisions (Chaudhary, 2025). Proposed solutions include reducing learning barriers and introducing strategies to encourage change (Godefroid et al., 2022; Xiang, 2023).

Conceptual Framework of the Study

A conceptual framework is a structure organized around a theory that defines the variables for analysis. This study's framework systematically explains the relationship between dependent and independent variables to investigate the psychological triggers of investment decision-making from a Nepalese perspective. Based on the study's objectives and literature review, the framework (Figure 1) defines the research focus and scope by outlining the specific behavioral bias variables involved.

Figure 1 depicts the list of variables of the study. Furthermore, the sources and measurements of the variables presented in the conceptual frameworks are itemized in Table 1.

Research Hypothesis

The influence of psychological triggers in the decision-making process of investment in Nepal has been a rarity, with psychological tradable variables as the driving force of the study. To evaluate the effects of narrative biases, algorithm aversion, disposition effect, fear of missing out (FOMO), emotional

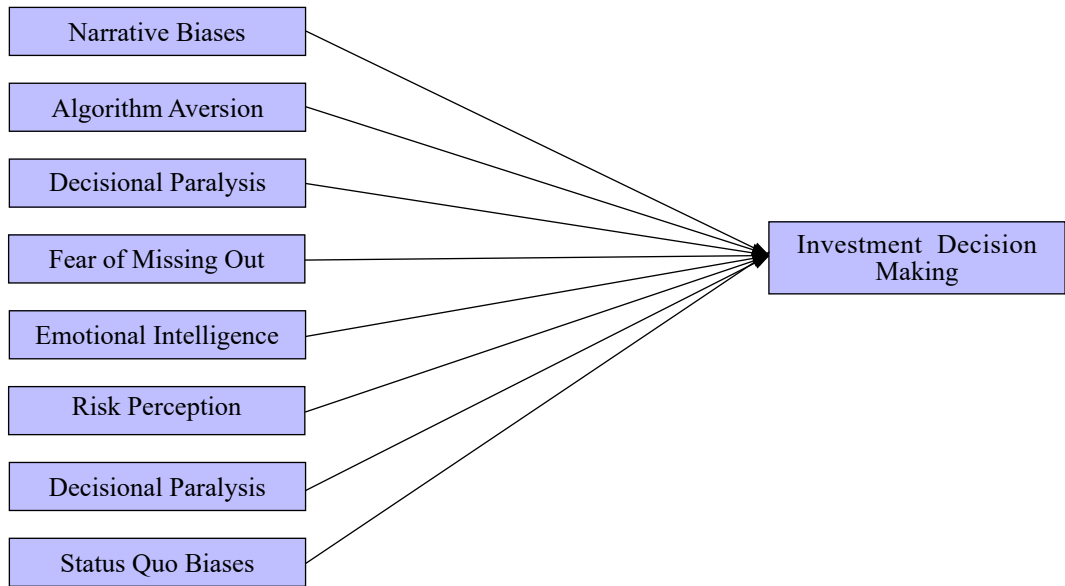


Figure 1. *Conceptual Framework of the Study*

intelligence, risk perception, decisional paralysis, and status quo bias on investors' decision-making processes across Nepal's growing stock market, the following null hypotheses are proposed:

- H_{1A} : Narrative biases exert a statistically significant influence on investment decision-making among Nepalese investors.
- H_{1B} : A significant relationship exists between algorithm aversion and investment choices in the Nepalese financial market.
- H_{1C} : The disposition effect (propensity to retain losing investments while prematurely selling profitable ones) significantly affects the decision-making processes of Nepalese investors.
- H_{1D} : Fear of Missing Out (FOMO) has a discernible impact on investment behavior in Nepal.

H_{1E} : Emotional intelligence serves as a significant moderating factor in the investment decision-making of Nepalese investors.

H_{1F} : Risk perception plays a significant role in shaping investment behavior within the Nepalese market context.

H_{1G} : Decisional paralysis presents a significant barrier to investment decision-making among Nepalese investors.

H_{1H} : Status quo bias significantly influences investment choices in Nepal's stock market.

These hypotheses are formulated such that testable predictions can be made to rigorously validate them using quantitative methods that contribute to the behavioral finance literature and consider the abundant nature of emerging markets.

Table 1
Sources and Measurement of the Variables

Symbol	Constructs	Sources	Measurements	Expected Sign
NB	Narrative Biases	Johnson et. al. (2017)	5-point Likert scale	+
AA	Algorithm Aversion	Burton et. al. (2019)	5-point Likert scale	+
DE	Disposition Effect	Yao (2022)	5-point Likert scale	+
FOMO	Fear of Missing Out	Idris (2024)	5-point Likert scale	+
EI	Emotional Intelligence	Chaurasia & Murari (2024)	5-point Likert scale	+
RP	Risk Perception	Nur et. al. (2019)	5-point Likert scale	+
DP	Decisional Paralysis	Shefrin (2000)	5-point Likert scale	-
SQB	Status Quo Biases	Xiang (2023)	5-point Likert scale	-
	Investment Decision	Baihaqqy et al. (2020);	5-point Likert scale	Dependent
IDM	Making	Shroff et al. (2024)		Variables

Note. Researchers' collections

METHODS

Employing both descriptive and causal-comparative designs, this study investigated the psychological factors affecting investment decisions among Nepalese investors, specifically targeting individual NEPSE investors and brokers. Data was collected via structured, self-administered questionnaires using a five-point Likert scale, chosen for their cost-effectiveness and flexibility. Out of 400 questionnaires distributed in Chitwan brokerage firms, 305 valid responses were obtained, yielding a 76.25% usable response rate, with purposive sampling and a sample size determined by Yamane's (1967) formula. Following a pilot test, statistical analyses-including Cronbach's Alpha, descriptive statistics, correlation, and regression-were used to assess reliability and examine relationships, with an OLS model applied to systematically evaluate associations between psychological biases and investment decisions for robust findings.

This regression model provides the empirical framework for testing the proposed hypotheses.

The specified model is as follows:

$$IDM = \beta_0 + \beta_1 NB + \beta_2 AA + \beta_3 DE + \beta_4 FOMO + \beta_5 EI + \beta_6 RP + \beta_7 DP + \beta_8 SQB + \epsilon$$

Where:

ϵ = Error term, accounting for unobserved factors affecting the dependent variable.

β_0 = Constant term, representing the intercept of the regression model.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$, and β_8 , represents coefficients of the explanatory variables, reflecting the magnitude and direction of their effects on the dependent variable.

This model serves as the foundation for assessing how these behavioral and psychological factors influence individual investment decisions (IDM).

Reliability Test

Cronbach's alpha assessed the internal consistency of all multi-item survey constructs (Liu et al., 2010). Adequate reliability was determined by a coefficient of at least 0.70 (Nunnally, 1978), with item-total correlations at or above

0.30 (Shelby, 2011). Results are shown in Table 2.

RESULTS AND DISCUSSION

In this section, reliability analysis of the constructs, demographic profile of the respondents, correlation coefficients, and results from multiple regression analysis were presented.

Demographic Profile of the Respondents

In this section, descriptive statistics based on demographic variables, i.e., Gender, Residence, Age, Marital Status, Family Type, Academic Qualification, Monthly Income, Profession, Investment Experience, Course of Market, to an overview of the characteristics of the respondents are presented. The details of the demographic profile of the respondents were presented in Table 3.

The demographic profile from Table 3 reveals that the study sample predominantly comprises urban, middle-aged males with higher academic qualifications, primarily employed in the private sector and belonging to nuclear family structures. A significant

proportion of respondents fall within the middle-income bracket, with moderate investment experience, suggesting that financial participation is more prevalent among educated, economically stable individuals. Notably, marital status data indicate a higher representation of single respondents, while occupational distribution underscores the dominance of private sector employees. Furthermore, less than half of the participants reported formal education in share market courses, pointing to potential gaps in structured financial literacy. These findings highlight the uneven distribution of financial engagement across demographic segments, with urban, educated, and professionally employed individuals being overrepresented compared to rural, less-educated, and non-private sector groups.

Correlational Coefficients of the Constructs

In this section, the bivariate Pearson's Correlation Coefficient between different pairs of variables used in the study for analyzing the oversubscription with 305 observations. Here Narrative Biases (NB), Algorithm Aversion (AA), Disposition (D),

Table 2
Inter Item Reliability Analysis of the Constructs

Constructs	Items	Cronbach's Alpha
Investment Decision Making	5	0.710
Narrative Biases	5	0.732
Algorithm Aversions	5	0.768
Disposition Effect	4	0.801
Fear Of Missing Out	4	0.821
Emotional Intelligence	5	0.751
Risk Premium	6	0.731
Decisional Paralysis	5	0.828
Status Quo Biases	5	0.765

Note. Field Survey 2025

Table 3
Demographic Profile of the Respondents

Characteristics	Dimension	Frequency	Percentage
Gender	Male	171	56.07
	Female	134	43.93
Residence	Urban	217	71.10
	Rural	134	43.93
Age	20 to 30	69	22.6
	30 to 40	201	65.9
	40 to 50	20	6.60
	50 and above	15	4.90
Marital Status	Single	193	63.28
	Married	112	36.72
Family Type	Nuclear	218	71.50
	Joint	87	28.50
Academic Qualification	Bachelor	99	32.46
	Masters	135	44.26
	Research Degree	71	23.28
Monthly Income	Less than Rs. 50,000	35	11.50
	Rs. 50,000 to Rs. 100,000	152	49.80
	Rs. 100,000 to Rs. 150,000	54	17.70
	Rs. 150,000 to Rs. 200,000	40	13.10
	Rs. 200,000 to Rs. 250,000	4	1.30
	More than Rs. 250,000	20	6.60
Profession	Students	12	3.90
	Entrepreneur	33	10.80
	Service man	54	17.70
	Private Sector Employees	194	63.60
	Public Sector Employees	8	2.60
	Others	4	1.30
Investment Experience	0 - 3 years	83	27.20
	3 - 9 years	145	47.50
	9 - 15 years	54	17.70
	Greater than 15 years	23	7.50
Course of the Share Market	Yes	129	42.30
	No	176	57.70

Note. Field Survey, 2025

Fear of Missing Out (FOMO), Emotional Intelligence (EI), Risk Perception (RP), Decisional Paralysis (DP), Status Quo Biases (SQB), and Investment Decision Making (IDM) correlation are examined.

The correlational analysis from Table 4 reveals strong and statistically significant relationships among the examined psychological and behavioral factors influencing investment decision-making.

Table 4
Correlation Coefficient of the Constructs

Constructs	IDM	NB	AA	DE	FOMO	EI	RP	DP	SQB
IDM	1								
NB	0.820**	1							
AA	0.697**	0.654**	1						
DE	0.750**	0.793**	0.773**	1					
FOMO	0.693**	0.685**	0.878**	0.722**	1				
EI	0.891**	0.778**	0.722**	0.714**	0.693**	1			
RP	0.865**	0.823**	0.673**	0.673**	0.670**	0.818**	1		
DP	0.687**	0.896**	0.636**	0.786**	0.607**	0.705**	0.716**	1	
SQB	0.718**	0.734**	0.864**	0.709**	0.875**	0.787**	0.751**	0.720**	1

** Correlation is significant at the 0.01 level (2-tailed).

Note. Field Survey, 2025

Investment Decision Making (IDM) exhibits the strongest association with Emotional Intelligence (EI) and Risk Perception (RP), suggesting that higher emotional awareness and risk assessment capabilities significantly shape investment choices. Narrative Biases (NB), Disposition effect (DE), and Algorithm Aversion (AA) also demonstrate robust correlations with IDM, indicating that cognitive biases and resistance to automated decision-making substantially impact investor behavior. Fear of Missing Out (FOMO) and Status Quo Bias (SQB) show strong interdependencies with both IDM and other behavioral factors, reinforcing the role of emotional and inertia-driven tendencies in financial decisions. Additionally, Decisional Paralysis (DP) is closely linked with NB and D, highlighting how cognitive overload and bias reinforcement may hinder proactive investment actions. Overall, the findings underscore the interconnected nature of psychological biases, emotional regulation, and risk perception in shaping investment behavior, emphasizing the

need for holistic approaches in behavioral finance research and investor education.

Regression Analysis

In this section, the results are based on 305 observations using linear regression model. IDM (Investment Decision Making) is the dependent variable and NB (Narrative Bias), AA (Algorithm Aversions), D (Disposition), FOMO (Fear of Missing Out), EI (Emotional Intelligence), Risk Perception (RP), Decision Paralysis (DP), and SQB (Status Quo Biases) are the independent variables. The estimated beta coefficient from ordinary least squares regression of Investment Decision Making has been drawn. In parentheses t t-statistics are presented.

The regression analysis from Table 5 reveals several key findings regarding the determinants of investment decision-making (IDM). Narrative Bias (NB), Fear of Missing Out (FOMO), and Emotional Intelligence (EI) exhibit strong positive and statistically significant ($p < 0.01$) effects on IDM, suggesting that cognitive and emotional biases substantially influence investor behavior.

Disposition (D) and Risk Perception (RP) also demonstrate significant positive relationships with IDM, reinforcing behavioral finance theories on loss aversion and risk assessment. Conversely, Algorithm Aversion (AA) and Status Quo Bias (SQB) show mixed effects, with AA losing significance in multivariate models, while SQB negatively impacts decisions, indicating resistance to change. Decision Paralysis (DP) negatively affects IDM, highlighting how over-analysis can hinder investment actions. The incremental inclusion of variables in Models 9-15 enhances explanatory power (R^2 up to 0.886), confirming the multidimensional nature of investment behavior. Notably, EI and RP emerge as robust predictors, underscoring the interplay between psychological traits and financial choices. The study concludes that while behavioral biases significantly distort investment decisions, targeted interventions-such as improving financial literacy, mitigating emotional biases, and leveraging structured decision-making tools-could enhance rationality in financial markets.

This study contributes to the behavioral finance literature by empirically examining the interplay of psychological triggers and cognitive biases in shaping investment decisions within the emerging market context of Nepal. While the findings corroborate established theories regarding the significant influence of emotional intelligence (Chaurasia & Murari, 2024), risk perception, and status quo bias (Xiang, 2023) on investor behavior, they also reveal noteworthy divergences from global trends, particularly the statistically insignificant role of FOMO (contrary to Idris, 2024) and algorithm aversion (contrary to Burton et al., 2019). These contradictions suggest that behavioral biases manifest differentially across cultural and

institutional contexts, underscoring the need for localized models of investor psychology. The robust predictive power of emotional intelligence and cognitive-emotional factors over traditional rational calculations aligns with the paradigm shift toward affective finance (Shefrin, 2000), while the negative impact of decisional paralysis highlights unique market inefficiencies in developing economies. These results have substantive implications for both theoretical frameworks and practical interventions, advocating for investor education programs that prioritize debiasing strategies tailored to Nepal's socioeconomic landscape. These findings align with prior behavioral finance literature, emphasizing the need for models that integrate both cognitive and emotional factors in investment analysis.

CONCLUSION AND IMPLICATIONS

This study empirically validates the significant role of psychological and behavioral factors in shaping investment decisions among Nepalese investors, aligning with core tenets of behavioral finance theory. The findings demonstrate that emotional intelligence, risk perception, and narrative biases serve as strong positive predictors of investment choices, whereas status quo bias and decisional paralysis exert significant negative effects, highlighting the detrimental impact of cognitive inertia and over analysis. The disposition effect further confirms the prevalence of suboptimal trading behaviors, reinforcing the dominance of heuristic-driven decision-making over rational economic calculus. Notably, algorithm aversion and fear of missing out (FOMO) were found statistically insignificant, suggesting their limited influence in Nepal's investment context when accounting for other psychological

Table 5
Multiple Regression Analysis of the Study

Model	Constant	NB	AA	D	FOMO	EI	RP	DP	SBQ	R ²	F-Ratio
1	0.273 (3.056)	0.898*** (24.954)								0.673	622.69*** (0.000)
2	0.122 (0.880)		0.886*** (16.940)							0.697	287.05*** (0.000)
3	-0.006 (0.962)			0.953*** (19.740)						0.750	389.78*** (0.000)
4	0.301 (0.021)				0.831*** (16.72)					0.480	279.43*** (0.000)
5	0.135 (0.052)					0.942*** (34.230)				0.795	1171.95*** (0.000)
6	0.164 (2.094)						0.947*** (29.990)			0.748	899.69*** (0.000)
7	0.550 (4.680)							0.756*** (16.470)		0.472	271.25*** (0.000)
8	0.217 (1.728)								0.87*** (17.980)	0.516	323.15*** (0.000)
9	-0.167 (-1.603)	0.696*** (15.741)	0.36*** (6.961)							0.718	384.27*** (0.000)
10	-0.218 (-2.022)	0.636*** (11.570)	0.295*** (4.810)	0.140 (1.840)						0.721	259.34*** (0.000)
11	-0.223 (-2.065)	0.623*** (10.881)			0.064*** (0.801)					0.722	194.44*** (0.000)
12	-0.182 (-2.220)	0.268*** (5.390)	-0.044 (-0.626)	0.136 (2.351)	0.064 (1.055)	0.648*** (14.850)				0.840	313.48*** (0.000)
13	-0.241 (-3.190)	0.076 (1.450)	-0.104 (-1.590)	0.202*** (3.750)	0.058 (1.030)	0.504*** (11.390)	0.365*** (7.590)			0.866	320.28*** (0.000)
14	-0.189 (-2.646)	0.356*** (5.370)	-0.035 (-0.560)	0.273*** (5.260)	-0.016 (-0.310)	0.503*** (12.090)	0.338*** (7.420)	-0.334*** (-6.290)		0.882	315.70*** (0.000)
15	-0.177 (-2.520)	0.321*** (4.890)	0.035 (0.550)	0.223*** (4.210)	0.092 (1.510)	0.55*** (12.820)	0.361*** (7.990)	-0.260*** (-4.640)	-0.240*** (-3.520)	0.886	288.41*** (0.000)

Note(s). Three***, two ** and one * asterisks indicate statistical significance at 1%, 5% and 10% level, respectively.

Note. Field Survey, 2025

Table 6
Results from Hypothesis Testing of the Study

Hypothesis	Statement	Results	Remarks
H _{1A}	Narrative biases exert a statistically significant influence on investment decision-making among Nepalese investors.	($\beta = 0.32^{***}$, $p < 0.01$)	Accepted (Highly Significant)
H _{1B}	There exists a significant relationship between algorithm aversion and investment choices in the Nepalese financial market.	($\beta = 0.04$, $p > 0.05$)	Rejected (Insignificant)
H _{1C}	The disposition effect (propensity to retain losing investments while prematurely selling profitable ones) significantly affects the decision-making processes of Nepalese investors.	($\beta = 0.22^{***}$, $p < 0.01$).	Accepted (Highly Significant)
H _{1D}	Fear of Missing Out (FOMO) has a discernible impact on investment behavior in Nepal.	$\beta = 0.09$ ($p > 0.01$)	Rejected (Insignificant)
H _{1E}	Emotional intelligence serves as a significant moderating factor in the investment decision-making of Nepalese investors.	$\beta = 0.55^{***}$ ($p < 0.01$)	Accepted (Highly Significant)
H _{1F}	Risk perception plays a significant role in shaping investment behavior within the Nepalese market context.	$\beta = 0.36^{***}$ ($p < 0.01$)	Accepted (Highly Significant)
H _{1G}	Decisional paralysis presents a significant barrier to investment decision-making among Nepalese investors.	$\beta = -0.26^{***}$ ($p < 0.01$)	Accepted (Highly Significant)
H _{1H}	Status quo bias significantly influences investment choices in Nepal's stock market.	$\beta = -0.24^{***}$ ($p < 0.01$)	Accepted (Highly Significant)

Note. Researchers' Calculations

variables. The high explanatory power of the regression model ($R^2 = 0.886$) underscores the robustness of these behavioral determinants.

The implications of this research are twofold: theoretical and practical. Theoretically, the study extends behavioral finance literature by providing empirical evidence from an emerging market, emphasizing the universality of cognitive biases while also hinting at context-specific variations. Practically, the findings advocate for investor education programs that integrate emotional regulation training, debiasing techniques, and risk literacy to mitigate irrational

decision-making. Financial regulators and brokerage firms could leverage these insights to design behavioral nudges and policy interventions aimed at reducing inertia and analytical paralysis among investors. Future research should explore longitudinal and cross-cultural designs to establish causal relationships and assess the moderating role of macroeconomic and cultural factors, thereby enriching the understanding of behavioral finance dynamics in diverse economic settings. Such advancements would not only refine theoretical models but also enhance market efficiency and investor protection in emerging economies like Nepal.

Limitation

This study has several limitations to consider when looking at the results. It relies on self-reported data, which can lead to bias. The focus on NEPSE investors and convenience sampling limits how well the results apply to all investors in Nepal. The study's design also prevents understanding of cause and effect regarding

psychological factors in investment decisions. Additionally, it does not account for variables like market conditions or financial literacy, and it only focuses on individual investors, missing insights from institutional investors. Future studies should use longitudinal designs, probability sampling, and consider economic factors for better validity.

Funding

The authors declare that they have received no financial support for this study.

Conflict of interest

The authors declare that they have no conflict of interest.

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