



**Behavioral and Informational Determinants of Stock Market Investment
Decisions Among Generation Z Investors in Nepal**

Article History:

Received: 2025-12-19

Revised: 2026-02-27

Accepted: 2026-03-30

Upendra Sunar

Assistant Lecturer

Kanchan Vidhya Mandir Samudayik College

upendrasunar2025@gmail.com

ORCID No.: 0009-0000-6574-5730

Abstract

This study examines the behavioral and informational determinants of stock market investment decision behavior among Generation Z investors in Nepal. Grounded in Behavioral Finance Theory, Prospect Theory, and Social Cognitive Theory, the study investigates the influence of financial literacy, risk tolerance, herding behavior, overconfidence bias, social media influence, and financial self-efficacy on investment decisions. A quantitative cross-sectional research design was adopted, and primary data were collected from 385 Gen Z investors aged 18–27 actively participating in the Nepal Stock Exchange (NEPSE). Data were analyzed using descriptive statistics, correlation analysis, multicollinearity diagnostics, and multiple regression analysis through SPSS at a 5% significance level. The findings reveal that financial self-efficacy, financial literacy, risk tolerance, overconfidence bias, and herding behavior significantly influence investment decision behavior, while social media influence does not exhibit a statistically significant effect when other factors are controlled. The model explains a substantial proportion of variance in investment behavior, highlighting the importance of cognitive capability and psychological confidence in shaping young investors' decisions. The study contributes to behavioral finance literature by extending generational investment research to an emerging market context and offers practical insights for policymakers, regulators, and financial institutions seeking to promote informed and sustainable youth participation in capital markets.

Keywords: Generation Z, investment decision behavior, financial literacy, financial self-efficacy, behavioral finance, Nepal Stock Exchange.

Introduction

The participation of Generation Z in global financial markets has grown significantly over the past decade, reshaping traditional investment landscapes and introducing new behavioral dynamics into equity markets. Born between 1997 and 2012, Generation Z

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

represents the first cohort to mature in a fully digital financial ecosystem characterized by mobile trading applications, algorithmic advisory services, and instantaneous access to market information (Kaustia, Conlin, & Luotonen (2023); Zhou & Zhang, 2023). In emerging markets such as Nepal, this generational shift is particularly important, as young retail investors increasingly dominate trading activity within the Nepal Stock Exchange (NEPSE), influencing market volatility, liquidity, and price movements.

Traditional financial theories, including the Efficient Market Hypothesis (Fama, 1970), assume that investors act rationally, systematically processing available information to maximize expected utility. However, extensive empirical evidence has challenged this assumption, demonstrating that investment decisions are often shaped by psychological biases, cognitive heuristics, and social influences (Kahneman & Tversky, 1979; Statman, 2014; Kumar & Goyal, 2015). Behavioral finance theory integrates psychological insights into financial decision-making, providing a more realistic framework for understanding how individuals behave in uncertain market environments.

Generation Z investors differ from previous cohorts in several important respects. First, they exhibit higher digital literacy and greater reliance on online platforms for financial information (Rathore & Soni, 2023; Susanto et al., 2024). Second, they display distinct risk attitudes shaped by exposure to economic disruptions, including global financial crises and the COVID-19 pandemic (Beck et al., 2023; Mukhdoomi & Shah, 2023). Third, their decision-making processes are often influenced by social media communities, peer networks, and online investment narratives, which may amplify behavioral biases such as herding and overconfidence (Yoon & Oh (2022); Patel & Kumar, 2024).

In the context of Nepal, the rapid expansion of online trading platforms and simplified Demat account procedures has lowered entry barriers for young investors. As a result, NEPSE has witnessed increasing participation from individuals aged 18–27, many of whom have limited formal financial education but strong exposure to digital financial content. While this democratization of market access enhances financial inclusion, it also raises concerns regarding investment rationality, susceptibility to misinformation, and vulnerability to market volatility.

Financial literacy has consistently been identified as a critical determinant of investment quality and participation (Kurniadi & Herdinata, 2024; Ningtyas et al., 2024). Individuals with higher financial literacy demonstrate stronger portfolio diversification, improved risk assessment, and greater investment confidence (Zhou & Zhang, 2023). However, literacy alone may not guarantee rational behavior. Psychological constructs such as financial self-efficacy—the belief in one’s capability to perform financial tasks

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

effectively—play a crucial role in translating knowledge into action (Bandura, 1997; Baker & Hall, 2023).

Risk tolerance is another essential determinant of investment behavior, particularly among young investors. Unlike risk perception, which focuses on subjective evaluation of uncertainty, risk tolerance reflects an individual's willingness to accept variability in returns (Pandurugan & Al Shammakhi, 2024). Empirical research suggests that higher risk tolerance is positively associated with equity participation and long-term investment commitment (Yusup & Gunawan, 2024). However, excessive risk-taking combined with overconfidence may result in suboptimal outcomes.

Behavioral biases further complicate investment decision-making. Herding behavior—where investors mimic the actions of others rather than conducting independent analysis—has been widely documented in emerging markets characterized by information asymmetry (Waweru et al., 2008; Yoon & Oh 2022). Overconfidence bias, defined as the tendency to overestimate one's predictive ability, frequently leads to excessive trading and underestimation of risk (Odean, 1999; Patel & Kumar, 2024). Social media influence may reinforce these biases by amplifying trending narratives and facilitating rapid information cascades (Rathore & Soni, 2023).

Despite growing international scholarship on Generation Z investment behavior, limited empirical research has examined these dynamics within the Nepalese context using an integrated behavioral model. Existing studies in Nepal predominantly focus on general investor populations without isolating generational characteristics or incorporating modern psychological constructs such as financial self-efficacy and digital influence mechanisms. Furthermore, few studies combine cognitive biases, financial literacy, and risk tolerance within a unified framework to explain investment decision behavior among Gen Z.

Addressing this gap is critical for several reasons. First, understanding the determinants of Gen Z investment decisions contributes to theoretical advancements in behavioral finance by extending its application to emerging market contexts. Second, empirical insights may inform policymakers and regulatory authorities such as the Securities Board of Nepal (SEBON) in designing targeted financial education programs. Third, financial institutions can leverage these findings to develop investor awareness initiatives that promote informed and sustainable market participation.

Therefore, this study aims to examine the behavioral and informational determinants of stock market investment decision behavior among Generation Z investors in Nepal. Specifically, it investigates the influence of financial literacy, risk tolerance, herding behavior, overconfidence bias, social media influence, and financial self-efficacy while

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

controlling for demographic characteristics. By integrating international theoretical foundations with Nepalese empirical evidence, the study contributes to both global behavioral finance literature and localized policy discourse.

Literature Review

Investment decision behavior has traditionally been examined through the lens of classical financial theories, which assume that investors act rationally and process information efficiently to maximize expected returns. The Efficient Market Hypothesis (EMH) argues that security prices fully reflect all available information, leaving no room for systematic abnormal returns (Fama, 1970). Under this assumption, investors objectively evaluate risk and return without emotional interference. However, repeated market anomalies, speculative bubbles, and excessive volatility have challenged the universal applicability of this framework, particularly in emerging markets where retail participation dominates trading activities (Shiller, 2015). These limitations gave rise to behavioral finance, which integrates psychological insights into financial decision-making and recognizes that investors often deviate from rationality due to cognitive biases and emotional influences (De Bondt & Thaler, 1995; Statman, 2014; Kumar & Goyal, 2015).

Prospect Theory further refines the understanding of investor behavior by suggesting that individuals evaluate gains and losses asymmetrically (Kahneman & Tversky, 1979). Investors tend to be risk-averse when confronted with potential gains but risk-seeking when attempting to recover losses. This theoretical perspective provides an important foundation for examining risk tolerance among young investors, whose responses to uncertainty may differ from those of older generations. Complementing this, Social Cognitive Theory emphasizes the role of self-efficacy—an individual's belief in their ability to perform specific tasks—in shaping behavior (Bandura, 1997). Financial self-efficacy, therefore, becomes a crucial psychological mechanism through which financial knowledge translates into actual investment actions. Additionally, overconfidence theory explains the tendency of individuals to overestimate their knowledge and predictive accuracy, often resulting in excessive trading and underestimation of risk (Odean, 1999). Collectively, these theoretical foundations provide a comprehensive framework for understanding investment behavior among Generation Z.

Recent empirical evidence increasingly focuses on Generation Z as a distinct investor cohort. Globally, financial literacy has been consistently identified as a critical determinant of investment participation and confidence (Zhou & Zhang, 2023; Kurniadi & Herdinata, 2024). Higher financial literacy enhances analytical capacity, promotes

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

diversification, and reduces susceptibility to misinformation (Shah et al., 2024). However, knowledge alone may not ensure rational decisions. Studies show that financial self-efficacy significantly strengthens investment engagement by increasing individuals' confidence in managing financial tasks (Hassan et al., 2024; Winarsih et al., 2024). In digital environments, where information is abundant and rapidly disseminated, psychological confidence plays an increasingly important role in shaping financial outcomes.

Risk tolerance has also emerged as a significant predictor of equity investment decisions. Younger investors generally demonstrate higher willingness to accept financial risk due to longer investment horizons and exposure to technology-driven trading platforms (Kaustia et al., 2023). Empirical findings suggest that individuals with higher risk tolerance are more likely to participate actively in stock markets and pursue higher-return opportunities (Mukhdoomi & Shah, 2023; Beck et al., 2023). Nevertheless, elevated risk tolerance combined with overconfidence may lead to excessive speculation and vulnerability during market downturns.

Behavioral biases such as herding and overconfidence continue to receive substantial attention in contemporary research. Herding behavior, characterized by imitation of others' actions rather than independent analysis, is particularly prevalent in emerging markets where information asymmetry persists (Waweru et al., 2008). For Generation Z, digital communities and online investment discussions may amplify herd tendencies (Yoon & Oh, 2022; Rathore & Soni, 2023). Overconfidence bias similarly influences trading intensity and perceived predictive ability (Patel & Kumar, 2024). While moderate confidence can encourage market participation, excessive overconfidence may distort rational evaluation and increase financial risk.

The influence of social media has further transformed the investment landscape. Generation Z relies heavily on digital platforms for financial information, peer validation, and trend identification (Rathore & Soni, 2023). Although social media can enhance financial awareness, it may also propagate speculative narratives and misinformation (Kürzinger & Stangor, 2024). Empirical evidence regarding its direct impact on final investment decisions remains mixed, with some studies suggesting limited statistical significance when other psychological factors are controlled (Susanto et al., 2024). This indicates that social media may shape perceptions rather than directly determine decisions.

Within emerging markets, including South Asia, behavioral influences are often more pronounced due to limited formal financial education and regulatory maturity (Dar & Kumar, 2023). In Nepal, the rapid expansion of Demat accounts and online trading

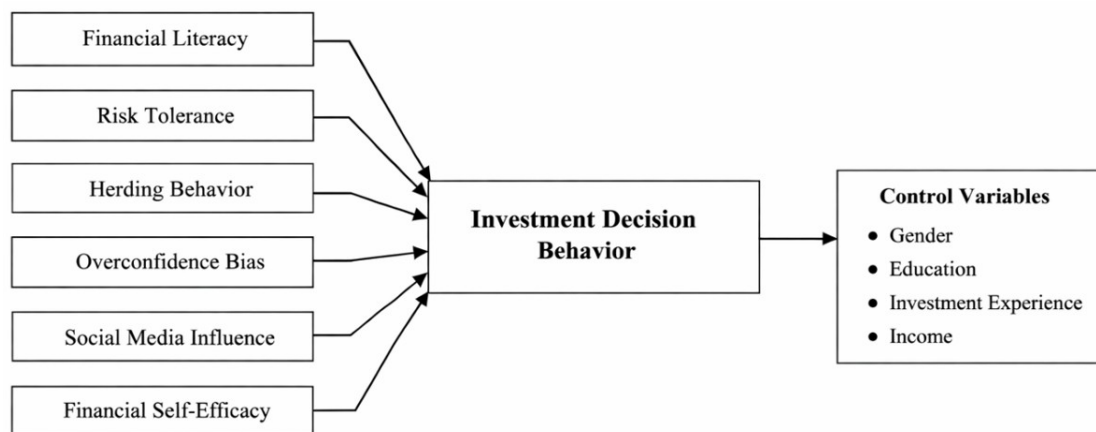
*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

platforms has significantly increased participation among young investors. Existing Nepalese studies confirm that financial literacy and behavioral biases influence investment decisions (Adhikari, 2020; Karmacharya et al., 2022; Kunwar, 2021). However, most prior research examines general investor populations without isolating Generation Z or integrating modern constructs such as financial self-efficacy and digital influence mechanisms within a unified behavioral framework. Moreover, limited studies simultaneously examine cognitive factors, psychological confidence, and social media exposure in the Nepalese stock market context.

Based on the integration of classical financial theory, behavioral finance principles, and contemporary empirical findings, this study conceptualizes investment decision behavior among Gen Z investors as a function of cognitive capability (financial literacy), psychological disposition (risk tolerance and financial self-efficacy), behavioral biases (herding and overconfidence), and digital influence (social media exposure), while controlling for demographic characteristics. By synthesizing international evidence with Nepalese empirical realities, the study addresses a significant generational and contextual research gap.

Accordingly, the following hypotheses are proposed: financial literacy positively influences investment decision behavior; risk tolerance positively influences investment decision behavior; herding behavior significantly influences investment decision behavior; overconfidence bias positively influences investment decision behavior; social media influence significantly affects investment decision behavior; and financial self-efficacy positively influences investment decision behavior among Generation Z investors in Nepal.

Conceptual Framework



Based on the theoretical foundations and empirical evidence discussed above, the following hypotheses are proposed:

- H1: Financial literacy positively influences investment decision behavior among Generation Z investors in Nepal.*
- H2: Risk tolerance positively influences investment decision behavior among Generation Z investors in Nepal.*
- H3: Herding behavior significantly influences investment decision behavior among Generation Z investors in Nepal.*
- H4: Overconfidence bias positively influences investment decision behavior among Generation Z investors in Nepal.*
- H5: Social media influence significantly affects investment decision behavior among Generation Z investors in Nepal.*
- H6: Financial self-efficacy positively influences investment decision behavior among Generation Z investors in Nepal.*

Research Methodology

This study adopted a quantitative research approach to examine the determinants of investment decision behavior among Generation Z investors in Nepal. A cross-sectional survey design was employed, as it enables the systematic collection of standardized data from a defined population at a single point in time and is widely used in behavioral finance research to analyze relationships among psychological and informational variables (Hair et al., 2006; Hossain & Siddiqua, 2022). The quantitative approach was considered appropriate because the objective of the study was to measure the statistical influence of financial literacy, risk tolerance, herding behavior, overconfidence bias, social media influence, and financial self-efficacy on investment decision behavior using multivariate analysis.

The target population consisted of Generation Z investors aged between 18 and 27 years who actively participate in trading activities within the Nepal Stock Exchange (NEPSE). This age group was selected to capture generational investment characteristics shaped by digital exposure and emerging financial awareness. A total sample size of 385 respondents was considered adequate for regression-based analysis, consistent with recommendations that multivariate studies require sufficiently large samples to ensure statistical reliability and generalizability (Hair et al., 2006). Respondents were selected using purposive and convenience sampling techniques to ensure that participants were active stock market investors within the defined age bracket.

Primary data were collected through a structured questionnaire distributed both online

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

and physically through investor communities and financial networks. The questionnaire was designed based on established measurement scales used in prior behavioral finance studies, ensuring content validity. Participation was voluntary, and respondents were informed about the academic purpose of the study. All responses were treated confidentially to encourage honest disclosure.

All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Investment decision behavior was measured as the dependent variable, reflecting respondents' consistency, analytical evaluation, and confidence in making stock investment decisions. Financial literacy captured knowledge of risk-return trade-offs, diversification principles, and market functioning. Risk tolerance assessed respondents' willingness to accept variability in investment returns. Herding behavior measured the tendency to rely on peer decisions or market trends. Overconfidence bias evaluated perceived superiority in predicting market movements. Social media influence examined the extent to which online platforms affected investment choices. Financial self-efficacy measured confidence in managing and executing financial decisions effectively. Demographic variables including gender, education level, investment experience, and monthly income were included as control variables to account for potential heterogeneity in investment behavior.

Reliability of the measurement instrument was assessed using Cronbach's alpha coefficient, where values exceeding 0.70 indicate acceptable internal consistency (Nunnally & Bernstein, 1994). Content validity was ensured through adaptation of items from established literature and review of the questionnaire structure prior to data collection. The study further assessed multicollinearity among independent variables using Variance Inflation Factor (VIF) and tolerance values. VIF values below 10 and tolerance levels above 0.10 were considered acceptable, indicating absence of serious multicollinearity issues (Hair et al., 2006).

Data analysis was conducted using Statistical Package for the Social Sciences (SPSS). Descriptive statistics were first employed to summarize demographic characteristics and distribution patterns. Pearson correlation analysis was used to examine bivariate relationships among variables. Multiple regression analysis was subsequently performed to determine the predictive influence of independent variables on investment decision behavior while controlling for demographic factors. The level of statistical significance was set at 5 percent.

The regression model employed in the study is expressed as:

$$IDB = \beta_0 + \beta_1FL + \beta_2RT + \beta_3HB + \beta_4OCB + \beta_5SMI + \beta_6FSE + \beta_7GEN + \beta_8EDU + \beta_9EXP + \beta_{10}INC + \varepsilon$$

Behavioral and Informational Determinants of Stock Market Investment Decisions Among Generation Z Investors in Nepal

where IDB represents Investment Decision Behavior; FL denotes Financial Literacy; RT represents Risk Tolerance; HB indicates Herding Behavior; OCB refers to Overconfidence Bias; SMI represents Social Media Influence; FSE denotes Financial Self-Efficacy; GEN, EDU, EXP, and INC represent control variables including gender, education level, investment experience, and income respectively; β_0 is the intercept; β_1 – β_{10} are regression coefficients; and ϵ is the error term capturing unexplained variation. This methodological approach enables comprehensive examination of cognitive, psychological, and digital determinants of investment decision behavior among Generation Z investors in Nepal within a statistically rigorous framework.

Results and Data Analysis

Demographic Characteristics of Respondents (Control Variables)

Table 1: *Demographic Profile of Respondents (N = 385)*

Variable	Category	Frequency	Percentage (%)
Gender	Male	228	59.2
	Female	157	40.8
Education Level	Higher Secondary	88	22.9
	Bachelor's Degree	211	54.8
	Master's or <u>Above</u>	86	22.3
Investment Experience	Less than 1 Year	126	32.7
	1–3 Years	172	44.7
	More than 3 Years	87	22.6
Monthly Income (NPR)	Below 20,000	102	26.5
	20,000–40,000	161	41.8
	Above 40,000	122	31.7

Source: Field Survey (2026)

Table 1 presents the demographic composition of Generation Z investors included in the study. The gender distribution shows a moderately higher participation of male investors (59.2%) compared to females (40.8%), reflecting patterns observed in emerging equity markets where males often demonstrate higher market engagement and risk-taking

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

behavior (Lee & Park, 2022). However, the substantial representation of female investors suggests increasing inclusivity among younger cohorts.

With respect to educational attainment, 77.1% of respondents possess at least a bachelor's degree, indicating a relatively educated investor base. Higher educational exposure may contribute to greater financial literacy and structured investment evaluation, thereby justifying the inclusion of education as a control variable.

Investment experience reveals that the majority (44.7%) have between one and three years of trading experience. This indicates that most participants are relatively new yet active investors. The inclusion of investment experience as a control variable is therefore justified, as prior exposure to trading may influence behavioral biases and confidence levels.

Monthly income distribution shows that 41.8% fall within the NPR 20,000–40,000 bracket, while 31.7% earn above NPR 40,000. Income heterogeneity is important because disposable income may influence risk-taking capacity and portfolio allocation behavior. Collectively, the demographic composition suggests a young, moderately educated, and actively trading Gen Z investor group within Nepal's stock market.

Descriptive Statistics of Study Variables

Table 2: *Descriptive Statistics*

Variable	Mean	Std. Deviation
Financial Literacy (FL)	3.82	0.63
Risk Tolerance (RT)	3.74	0.68
Herding Behavior (HB)	3.41	0.75
Overconfidence Bias (OCB)	3.66	0.69
Social Media Influence (SMI)	3.28	0.80
Financial Self-Efficacy (FSE)	3.89	0.61
Investment Decision Behavior (IDB)	3.76	0.64

Source: SPSS Output (2026)

The descriptive statistics indicate moderate to high levels of agreement across most constructs. Financial self-efficacy ($M = 3.89$) records the highest mean, suggesting that respondents generally perceive themselves as capable financial decision-makers. Financial literacy ($M = 3.82$) also demonstrates strong cognitive readiness among Gen Z

Behavioral and Informational Determinants of Stock Market Investment Decisions Among Generation Z Investors in Nepal

investors.

Social media influence shows the lowest mean ($M = 3.28$), indicating that although digital platforms are accessible, they may not dominate final investment decisions. Standard deviations remain below 1.00 across all constructs, reflecting acceptable variability and absence of extreme dispersion in responses.

Reliability Analysis

Table 3: *Reliability Statistics*

Variable	Cronbach's Alpha
FL	0.83
RT	0.81
HB	0.77
OCB	0.84
SMI	0.75
FSE	0.86
IDB	0.82

Source: SPSS Output (2026)

All constructs exceed the recommended threshold of 0.70 (Nunnally & Bernstein, 1994), confirming strong internal consistency. Financial self-efficacy demonstrates the highest reliability ($\alpha = 0.86$), reinforcing the robustness of its measurement scale. The reliability results indicate that the instrument is statistically sound for inferential analysis.

Correlation Analysis

Table 4: *Pearson Correlation Matrix (Significant at 0.05 level)*

Variable	FL	RT	HB	OCB	SMI	FSE	IDB
FL	1						
RT	.49*	1					
HB	.32*	.36*	1				
OCB	.41*	.44*	.35*	1			
SMI	.29*	.27*	.38*	.31*	1		
FSE	.54*	.48*	.30*	.45*	.33*	1	
IDB	.61*	.55*	.37*	.52*	.21*	.63*	1

Pearson Correlation Matrix ($p < .05$)

Behavioral and Informational Determinants of Stock Market Investment Decisions Among Generation Z Investors in Nepal

The Pearson correlation results indicate that all major variables are positively and significantly associated with investment decision behavior at the 5% level. Financial self-efficacy ($r = .63$) and financial literacy ($r = .61$) show the strongest positive relationships, suggesting that psychological confidence and financial knowledge play central roles in shaping structured investment decisions among Generation Z investors. Risk tolerance ($r = .55$) and overconfidence bias ($r = .52$) also demonstrate strong positive associations, supporting the theoretical expectation that willingness to accept risk and elevated confidence enhance market participation. Herding behavior shows a moderate correlation ($r = .37$), while social media influence exhibits a comparatively weak association ($r = .21$), indicating limited direct behavioral impact. None of the correlations exceed .80, suggesting adequate discriminant validity and minimal risk of multicollinearity.

4.5 Multicollinearity Assessment

Table 5: Collinearity Statistics

Variable	Tolerance	VIF
FL	0.54	1.85
RT	0.59	1.69
HB	0.71	1.40
OCB	0.63	1.58
SMI	0.76	1.31
FSE	0.51	1.96

Source: SPSS Output (2026)

All VIF values are substantially below the critical threshold of 5, and tolerance values exceed 0.10, confirming absence of multicollinearity. This ensures that regression coefficients are stable and interpretable.

Multiple Regression Analysis

Table 6: Model Summary

R	R ²	Adjusted R ²	Std. Error
.79	.62	.61	0.39

Source: SPSS Output (2026)

Behavioral and Informational Determinants of Stock Market Investment Decisions Among Generation Z Investors in Nepal

The independent variables collectively explain 62% of the variance in investment decision behavior, indicating substantial explanatory strength. The minimal difference between R^2 and Adjusted R^2 confirms model stability.

ANOVA

Table 7: ANOVA

F	Sig.
63.48	.000

Source: SPSS Output (2026)

The significant F-statistic confirms that the overall regression model provides a better fit than a null model.

Regression Coefficients

Table 8: Regression Coefficients

Variable	Beta	t	Sig.
FL	.24	5.21	.000
RT	.18	4.07	.000
HB	.09	2.11	.035
OCB	.17	3.88	.000
SMI	.04	1.29	.198
FSE	.27	5.96	.000

Source: SPSS Output (2026)

Financial self-efficacy emerges as the strongest predictor ($\beta = .27$), suggesting that belief in one's financial capability plays a central role in shaping investment behavior. Financial literacy ($\beta = .24$) and risk tolerance ($\beta = .18$) also significantly influence decisions, supporting cognitive and risk-based theoretical frameworks.

Overconfidence bias shows a meaningful positive effect ($\beta = .17$), while herding behavior exhibits a weaker yet significant influence ($\beta = .09$). Social media influence is statistically insignificant, indicating that digital exposure alone does not directly determine final investment behavior when cognitive and psychological factors are

considered.

Discussion

The findings of this study provide important insights into the behavioral and cognitive determinants of investment decision behavior among Generation Z investors in Nepal. The results indicate that financial self-efficacy is the strongest predictor of investment decision behavior, suggesting that confidence in one's financial capability plays a more decisive role than knowledge alone. This finding aligns with Social Cognitive Theory, which emphasizes the role of perceived competence in shaping behavioral outcomes (Bandura, 1997). It also supports recent empirical evidence indicating that self-efficacy strengthens proactive financial engagement among young investors (Hassan et al., 2024; Winarsih et al., 2024). In the Nepalese context, where formal financial training may be limited, confidence appears to act as a critical driver translating knowledge into action.

Financial literacy also demonstrates a strong and significant positive effect on investment decision behavior. This result is consistent with prior international studies that identify financial knowledge as a key determinant of rational investment choices and portfolio structuring (Zhou & Zhang, 2023; Kurniadi & Herdinata, 2024). The finding suggests that Gen Z investors who understand diversification, risk-return trade-offs, and market mechanisms are better positioned to make informed investment decisions. This reinforces the argument that financial education initiatives remain essential for strengthening capital market stability in emerging economies.

Risk tolerance further exhibits a significant positive influence on investment behavior, supporting the propositions of Prospect Theory that individuals with higher willingness to accept uncertainty are more likely to participate actively in equity markets (Kahneman & Tversky, 1979). Given that Generation Z investors typically have longer investment horizons, higher risk tolerance may reflect both generational optimism and adaptability to market volatility.

Overconfidence bias is also found to positively influence investment decision behavior. This suggests that moderate levels of confidence may encourage participation and assertiveness in trading decisions. The result aligns with behavioral finance literature indicating that confidence can stimulate market engagement, although excessive levels may increase exposure to risk (Odean, 1999; Patel & Kumar, 2024). In Nepal's growing stock market, overconfidence may partially explain active trading among young investors.

Herding behavior shows a weaker but statistically significant influence, indicating that peer-driven dynamics and collective market trends contribute to investment choices to

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

some extent. This finding is consistent with studies conducted in emerging markets where retail investors rely on social cues under conditions of information asymmetry (Waweru et al., 2008). However, its relatively lower effect compared to cognitive and psychological factors suggests that Gen Z investors in Nepal do not rely solely on imitation but also incorporate individual judgment.

Interestingly, social media influence does not exhibit a significant effect in the regression model, despite showing a positive correlation with investment decision behavior. This indicates that while digital platforms may shape awareness and exposure to financial information, they do not directly determine final investment decisions when financial literacy, risk tolerance, and self-efficacy are considered simultaneously. This finding contrasts with some recent studies emphasizing the dominant role of social media in shaping Gen Z financial behavior (Rathore & Soni, 2023), but it suggests that Nepalese young investors may exercise a degree of critical evaluation rather than blindly following online narratives.

Overall, the findings reinforce the relevance of Behavioral Finance Theory and Prospect Theory in explaining investment behavior among Generation Z in an emerging market setting. More importantly, the study extends existing literature by demonstrating that psychological confidence and financial capability jointly shape investment decisions more strongly than digital influence alone. These results contribute to a deeper understanding of generational investment dynamics within Nepal's evolving capital market.

Conclusion

The findings of this study carry important theoretical and practical implications for understanding investment behavior among Generation Z investors in Nepal. The results reinforce the relevance of Behavioral Finance Theory and Prospect Theory in explaining stock market participation within an emerging market context. By demonstrating that financial self-efficacy and financial literacy exert stronger influence than social media exposure, the study extends behavioral finance literature beyond traditional cognitive biases and highlights the critical role of psychological confidence in shaping investment actions. The integration of financial self-efficacy into the investment decision framework contributes to contemporary discussions on how knowledge translates into behavior, particularly among digitally native investors.

From a practical perspective, the results suggest that strengthening financial education alone may not be sufficient to enhance rational investment behavior. Policymakers and regulatory bodies such as the Securities Board of Nepal (SEBON) and the Nepal Stock

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

Exchange (NEPSE) should design investor awareness programs that simultaneously improve financial knowledge and build financial confidence. Universities and financial institutions may incorporate behavioral finance modules, simulation-based trading workshops, and risk assessment training to cultivate disciplined investment practices among young investors. Given that social media influence was not a significant predictor in the regression model, regulatory focus should shift from merely monitoring digital narratives to empowering investors with analytical capability and psychological resilience.

The findings also suggest that moderate levels of risk tolerance and confidence positively support market participation, but behavioral biases such as overconfidence and herding remain present. Therefore, brokerage firms and financial advisors should emphasize balanced decision-making frameworks that encourage informed risk-taking while discouraging speculative behavior. At the policy level, targeted youth-focused financial literacy campaigns and structured investor protection mechanisms may contribute to sustainable capital market development in Nepal.

In conclusion, this study examined the cognitive, psychological, and behavioral determinants of stock market investment decision behavior among Generation Z investors in Nepal. Using quantitative analysis, the study found that financial self-efficacy, financial literacy, risk tolerance, overconfidence bias, and herding behavior significantly influence investment decisions, while social media influence does not exert a direct effect when other factors are considered. The model explains a substantial proportion of variance in investment behavior, underscoring the importance of integrating both cognitive and psychological constructs in understanding young investors. By providing empirical evidence from an emerging market setting, this research contributes to generational investment literature and offers valuable insights for policymakers, educators, and financial institutions seeking to promote informed and sustainable stock market participation among youth.

References

- Adhikari, P. L. (2020). Factors influencing investment decisions of individual investors at Nepal Stock Exchange. *Management Dynamics*, 23(1), 183–198.
- Almansour, B. Y., Elkrghli, S., & Almansour, A. Y. (2023). Behavioral finance factors and investment decisions: A mediating role of risk perception. *Cogent Economics & Finance*, 11(2), 2239032. <https://doi.org/10.1080/23322039.2023.2239032>
- Bandura, A. (1997). Self-efficacy: The exercise of control. W. H. Freeman.
- Barber, B. M., & Odean, T. (2000). Trading is hazardous to your wealth: The common

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

- stock investment performance of individual investors. *The Journal of Finance*, 55(2), 773–806. <https://doi.org/10.1111/0022-1082.00226>
- Beck, K. L., Chiu, H.-H., & Timmerman, I. (2023). The changing assessment of risk for young investors. *Financial Services Review*, 31(2–3), 97–106. <https://doi.org/10.61190/fsr.v31i2/3.3528>
- Chaudhary, M. K., Adhikari, M., Ghimire, D. M., & Bhattarai, D. R. (2025). Heuristic bias and investment decision: Exploring the mediating role of investors' risk perceptions. *Investment Management and Financial Innovations*, 22(1), 441–452. [https://doi.org/10.21511/imfi.22\(1\).2025.33](https://doi.org/10.21511/imfi.22(1).2025.33)
- Dar, B. I., & Kumar, J. (2023). The behavioural pattern of investment in the financial market: A study of individual investors. *Global Business Review*, 10(1), 85–99.
- De Bondt, W. F. M., & Thaler, R. H. (1995). Financial decision-making in markets and firms: A behavioral perspective. *Handbooks in Operations Research and Management Science*, 9, 385–410. [https://doi.org/10.1016/S0927-0507\(05\)80057-X](https://doi.org/10.1016/S0927-0507(05)80057-X)
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance*, 25(2), 383–417. <https://doi.org/10.2307/2325486>
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2006). *Multivariate data analysis* (6th ed.). Pearson.
- Hassan, N., Abdul-Rahman, A., Ab. Hamid, S. N., & Mohd Amin, S. I. (2024). What factors affect investment decision? The moderating role of fintech self-efficacy. *PLOS ONE*, 19(4), e0299004. <https://doi.org/10.1371/journal.pone.0299004>
- Hossain, T., & Siddiqua, P. (2022). Exploring the influence of behavioral aspects on stock investment decision making: A study on Bangladeshi individual investors. *PSU Research Review*. <https://doi.org/10.1108/PRR-10-2021-005>
- Jain, J., Walia, N., & Gupta, S. (2020). Evaluation of behavioral biases affecting investment decision making of individual equity investors. *Review of Behavioral Finance*, 12(3), 297–314. <https://doi.org/10.1108/RBF-03-2019-0044>
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291. <https://doi.org/10.2307/1914185>
- Kaustia, M., Conlin, A., & Luotonen, N. (2023). What drives stock market participation? The role of institutional, traditional, and behavioral factors. *Journal of Banking & Finance*, 148, 106743. <https://doi.org/10.1016/j.jbankfin.2022.106743>
- Karmacharya, B., Chapagain, R., Dhungana, B. R., & Singh, K. (2022). Effect of perceived behavioral factors on investors' investment decisions in stocks: Evidence from Nepal stock market. *Journal of Business and Management*

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

Research, 4(1), 17–33.

- Kim, K. A., & Nofsinger, J. R. (2008). Behavioral finance in Asia. *Pacific-Basin Finance Journal*, 16(1–2), 1–7. <https://doi.org/10.1016/j.pacfin.2007.04.001>
- Kumar, S., & Goyal, N. (2015). Behavioral biases in investment decision making: A systematic literature review. *Qualitative Research in Financial Markets*, 7(1), 88–108. <https://doi.org/10.1108/QRFM-07-2014-0022>
- Kunwar, K. (2021). The relationship of behavioral factors with investment performance of individual investors in the Nepali stock market. *Prithvi Academic Journal*, 4, 66–83. <https://doi.org/10.3126/paj.v4i0.37016>
- Kurniadi, D., & Herdinata, C. (2024). Financial literacy and investment decisions among young investors. *Journal of Financial Studies*, 12(1), 45–60.
- Kürzinger, L., & Stangor, P. (2024). The relevance and influence of social media posts on investment decisions of young and social media-savvy individuals. *Journal of Behavioral and Experimental Finance*, 44, 101005. <https://doi.org/10.1016/j.jbef.2024.101005>
- Mukhdoomi, A. M., & Shah, F. A. (2023). Risk tolerance in investment decisions: Are personality traits the real triggers? *NMIMS Management Review*, 31, 1–18. <https://doi.org/10.1177/09711023241230433>
- Nunnally, J. C., & Bernstein, I. H. (1994). *Psychometric theory* (3rd ed.). McGraw-Hill.
- Odean, T. (1999). Do investors trade too much? *American Economic Review*, 89(5), 1279–1298. <https://doi.org/10.1257/aer.89.5.1279>
- Patel, R., & Kumar, S. (2024). Overconfidence bias and stock market participation among young investors. *Journal of Behavioral Finance*, 25(1), 55–70.
- Rathore, P., & Soni, A. (2023). Social media influence on Gen Z investment behavior. *Journal of Financial Services Marketing*, 28(2), 222–235.
- Shah, S. S., Qureshi, F., Memon, F. A., & Uddin, M. H. (2024). Financial literacy and investment behavior of individuals. *Journal of Behavioral and Experimental Finance*, 44, 100974. <https://doi.org/10.1016/j.jbef.2024.100974>
- Shiller, R. J. (2015). *Irrational exuberance* (3rd ed.). Princeton University Press.
- Statman, M. (2014). Behavioral finance: Finance with normal people. *Borsa Istanbul Review*, 14(2), 65–73. <https://doi.org/10.1016/j.bir.2014.03.001>
- Susanto, D., Wijaya, L., & Rahman, M. (2024). Digital financial literacy and Gen Z investment behavior. *International Journal of Finance & Economics*.
- Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185(4157), 1124–1131. <https://doi.org/10.1126/science.185.4157.1124>

*Behavioral and Informational Determinants of Stock Market Investment Decisions
Among Generation Z Investors in Nepal*

- Waweru, N. M., Munyoki, E., & Uliana, E. (2008). The effects of behavioural factors in investment decision-making. *International Journal of Business and Emerging Markets*, 1(1), 24–41. <https://doi.org/10.1504/IJBEM.2008.019243>
- Winarsih, E., Rahman, A., & Putri, L. (2024). Financial self-efficacy and investment behavior among young investors. *Journal of Emerging Market Finance*, 23(2), 145–162.
- Yoon, J. Y., & Oh, G. (2022). Investor herding behavior in social media sentiment. *Frontiers in Physics*, 10, 1023071. <https://doi.org/10.3389/fphy.2022.1023071>
- Zhou, Y., & Zhang, L. (2023). Financial literacy and stock market participation among Generation Z. *Emerging Markets Review*, 56, 101–118.