



Retail Investors' Awareness and Its Impact on Investment Decision in the Context of Nepalese Stock Market

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Abstract

Background: Emerging stock market in economies such as Nepal is witnessing a high rate of retail investor participation, but there is a lack of research on investor awareness and behavioral bias. The informal sources of information and emotional signals that retail investors tend to use instead of fundamental analysis can result in poor investment decisions and higher market volatility.

Purpose This research seeks to examine how retail investor awareness, particularly media influence and social interaction affect investment decisions in the Nepalese stock market with the use of investor sentiment as a mediating variable.

Design/methodology/approach: A structured questionnaire survey was conducted among 402 retail investors who are actively involved in Nepal Stock Exchange (NEPSE). The relationships among media, social interaction, investor sentiment and investment decisions were analyzed by means of Partial Least Squares Structural Equation Modeling (PLS-SEM).

Findings: The results reveal that social interaction ($\beta = 0.668$, $p = 0.009$) and investor sentiment ($\beta = 0.236$, $p = 0.000$) have significant positive effects on investment decisions. The greatest influence is on investor sentiment. Nonetheless, media has no significant effect on investment decisions ($p = 0.612$) and investor sentiment does not mediate the relationships between media/social interaction and investment decisions. The model has an explanation of 43.2 percent of the variance in investment decisions.

Conclusion: Retail investment behavior in Nepal is more motivated by investor sentiment and social networks as opposed to formal media channels. Financial educators and policymakers must focus more on training in behavioral finance and use social networks to spread the correct financial information, which encourages rationality in decision-making and stable markets.

Keywords: Media, social interaction, investors' sentiment, investment decision, Nepalese stock market

1. Introduction

The Nepal Stock Exchange (NEPSE) was established on 13 January 1994 to facilitate the trading of government and corporate securities, ensuring liquidity and marketability (Shrestha et al., 2025). As of July 2025, NEPSE's market capitalization stood at NPR 465,698.5 crore (approx. USD 34 billion), with 272 listed companies operating across 16 sectors, dominated by banking. The exchange functions through 92 brokers and 41 Remote Workstations (RWS), utilizing an automated Trading Management System (TMS) and demat (dematerialized) securities. According to Prajwal Bhattarai (2025) regulated by the Securities Board of Nepal (SEBON) under the Securities Act (2006), NEPSE tracks key indices such as the NEPSE Index and the Sensitive Index.

The increasing number of retail investors participating in the Nepalese stock market, still their level of awareness and its influence on investment decisions, remains underexplored. This study focuses on how retail investor awareness (media and social interaction) impacts investment decisions, with investor sentiment acting as a mediating variable. These types of research has been done in India by P.H. and Uchil (2020) but not done in Nepal. The relevance of behavioral finance, which emphasizes the role of psychological and emotional influences in financial decision, is particularly critical in Nepal's volatile market. Understanding the relationship between investor awareness and sentiment can help improve both individual decision-making and overall market stability.

The price of stocks is based on all publicly available information and that investors take rational decisions. But in the real world this is not always true (P.H. & Uchil, 2020a). According to the Efficient Market Hypothesis (EMH), it is not possible to predict future price movements reliably since all the information that would be used to make such predictions is already reflected in current prices. However, investors often behave irrationally under the impact of psychological and emotional factors. The conventional finance has always concentrated on risk and returns balance (Yang et al., 2025). However, a recent study indicates that fear, greed, over-confidence, and herd mentality are some of the emotions that significantly influence the decisions of investors. These emotional reactions tend to cause excessive reaction or lack of reaction to market news making the stock prices more volatile (P.H. & Uchil, 2020a). Investor sentiment is also greatly influenced by external factors like peer opinions, analyst reports, company announcements and media coverage (Wang & Zhu, 2024).

To fill these loopholes in conventional theories, behavioral finance studies the influence of psychological factors on financial decisions. Another major theory in this area is Prospect Theory that describes the tendency of investors to treat potential gains and losses differently and make irrational decisions (Barberis, 2013). As an example, investors can take unnecessary risks or miss smart opportunities because of emotional responses. The paper examines how investor sentiment and decision making are influenced by awareness factors like media influence and social interactions. The study will analyze such relationships using survey data of active investors and will use Partial Least Squares Structural Equation Modeling (PLS-SEM) to validate the results. Knowledge of these behavioral influences will help the research to give more insights into the dynamics of the stock market.

Investment decisions are crucial for retail investors (Benuzzi et al., 2024) in context of Nepalese stock market because they influence financial growth, risk management and wealth creation. Smart decisions help to maximize returns, minimize losses, as well as ensure long-term stability (Malviya & Soni, 2025). Understanding market trends, diversification, and disciplined investing can protect against volatility and secure a stronger financial future in Nepalese economy and stock market as well. Nepalese retail investors have been facing numerous challenges like lack of financial literacy, market volatility, and limited access to reliable information, speculative trading, and regulatory uncertainties. These factors hinder informed decision-making, leading to poor investment decisions and potential losses in the stock market. Therefore, the present study is essential to understand behavioral biases, market trends, and risk perceptions. Such research can enhance financial literacy, improve decision-making capacity and promote sustainable investing, ultimately contributing to market stability and investor confidence in Nepalese growing stock market.

2. Literature Review

Retail investors have more significance in the emerging stock market of Nepal (Adhikari et al., 2025) where individual investors are the major players in the trading (Havakhori et al., 2025). These investors are very crucial in the running of the stock market, but their actions are usually based on behavioral, psychological, and informational factors as opposed to technical and fundamental analysis. The main determinants of retail investor behavior include awareness based on media and social interaction and the investor sentiment which serves as a mediator in the decision making process (P.H. & Uchil, 2020a). These factors are essential in enhancing the performance of the stock market of Nepal as well as in informing policy actions that should be taken to educate investors and regulate the stock market.

Media is a strong tool in creating investor awareness through the spread of financial information (Kim & Fan, 2025). The main sources of information to retail investors in Nepal are financial news, online forums, television broadcasts, and social media platforms (Dahal, 2025). Studies have shown that retail investors are fast to respond to news and trending topics without necessarily confirming their accuracy and relevance. According to Shrestha et al. (2025) a large number of Nepalese investors rely on online news portals and financial discussion groups to make their investment decisions. In the same vein, Joshi and Rawat (2025) also stated that media coverage has a high impact on the perceptions and trade of investors. Nevertheless, biased or over-reporting by the media may lead to herd behavior and market over-reactions where investors act as a herd instead of exercising their own judgment. Bhattarai and Thapa (2020) noted that the behavior caused by such media tends to increase the volatility of the market and speculative trading.

Besides the media, social interaction is another key source of awareness to retail investors. In Nepal, with a low level of financial literacy and a lack of formal investment education, retail investors tend to seek advice and stock tips through informal social networks (Legenzova & Leckè, 2025). Such networks are friends, family members, coworkers, and online investor groups. The studies in behavioral finance emphasize that these social interactions may have a powerful effect on investment decisions, which may be irrational. According to Adhikari et al. (2025) investors that rely on peer recommendations are more susceptible to emotional biases, including the fear of missing out or overconfidence. This fact is consistent with the research of Joshi and Rawat (2025), who found that social influence, is more likely to increase the emotions of investors and promote reactive instead of strategic trading. Consequently, investors can end up following trends without carrying out research or analysis.

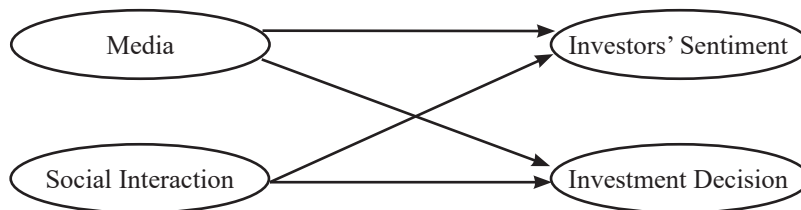
P.H. and Uchil (2020) explored that investor sentiment is the emotional or psychological connection between awareness and investment decision. Sentiment is the attitude of the investors towards the market or a specific security at a specific time (Maurya et al., 2025). It is usually influenced by the tone and volume of media coverage and by social approval of peers. Research indicates that in Nepal, positive news or encouragement by peers usually causes aggressive investment behavior due to the optimistic feeling. On the other hand, the negative sentiment may lead to panic selling or market withdrawal. proved that the investor sentiment in Nepal is highly volatile when responding to real and perceived market cues (Dasuni, 2024). This behavior based on sentiments is in line with the noise trader theory that irrational investors interfere with market efficiency by following unpredictable trading patterns. The role of institutional investors in the Nepalese stock market is minimal, and therefore the actions of retail investors have a great impact on price dynamics and market stability.

The decisions on investment should be made on a rational basis and long-term financial objectives (Frezatti et al., 2013). Nevertheless, behavioral biases and emotional reactions often influence the decision-making process in practice. Retail investors in Nepal tend to be speculative traders, and they are motivated by short-term profits and affected by the trends in media and social discourses (Chakhovich, 2012; Vaidya, 2021). This behavior is further compounded by the fact that there is no access to professional financial advisors and lack of structured investment training. Experimental research has proved that sentiment-based decision making tends to lead to herding, poor performance, and taking unwarranted risks.

The level of awareness plays a very important role in influencing retail investors in Nepal (Adhikari et al., 2025), and this awareness is mostly influenced by media content and social interactions (Abubakar & Al-Mamary, 2025). This awareness, in its turn, influences the investor sentiment, which mediates the influence on the final investment decisions (P.H. & Uchil, 2020a). Although these sources of information are valuable, they also lead to irrational and emotionally based trading trends (Maurya et al., 2025). To overcome these obstacles, it is necessary to have better financial literacy programs, better access to quality financial information, and tighter media control on investment information. Training investors in long-term financial planning and risk management may also be useful in minimizing the effect of sentiment and making more rational decisions (Ahmad, 2024). Future studies need to concentrate on finding effective educational tools and regulatory measures that can assist in stabilizing the Nepalese stock market by encouraging informed and responsible investment behavior of the retail investors. Figure 1 shows the conceptual model used in this study modified from P.H. and Uchil (2020).

Figure 1

Conceptual Framework



Modified from P.H. and Uchil (2020)

Media and investment decision

Media is a very important factor in investment decision. Kim-Hahm et al. (2025) revealed that the news, social media and financial reports give information on the market trends and the company performance. Investors should always check out the facts before making any decisions (Banerjee & David, 2025), though, because the media can hype up the excitement or create fear. Sticking to the headlines can make bad decisions. Smart investors do not rely solely on media as a guide and take it along with research and personal financial objectives.

H1: There is a significant effect of media on investment decision.

Social Interaction and investment decision

Mittal et al. (2025) said that spread of information and opinions from social interaction affects investment decisions. Talk with friends, colleagues, and online communities can lead to herd behavior, or following the herd rather than doing one's own analysis (Wang et al., 2026). While social proof can help defuse the risk, it can also fuel market bubbles or panic selling. Interactions can be helpful but can cause distortion in the choices made if they are used exclusively. Successful investors can use social cues and balance it with independent research.

H2: There is a significant effect of social interaction on investment decisions.

Investor sentiment and investment decision

Investor sentiment is the collective mood of investors in a market, whether it is optimistic (bullish) or pessimistic (bearish). If the sentiment is positive, investors are inclined to purchase more, anticipating that prices will appreciate (Garg et al., 2025). When sentiment is negative, it tends to result in selling. Emotions can be a powerful motivator to make decisions, but successful investors take a more balanced approach (Verma et al., 2026), considering market sentiment and emotion alongside data and fundamentals, rather than making impulsive decisions based on fear or excitement.

H3: There is a significant effect of investor sentiment on investment decisions.

Media, investor sentiment and investment decision

Investor sentiment serves as a mediator between the media and investment decisions. If investor sentiment is positive, then negative news can be ignored and investors may act impulsively. If negative, they exacerbate negative media coverage, and result in panic selling (P.H. & Uchil, 2020). This means that the extent of media's influence on decisions is determined by the sentiment, and in the event of strong sentiment, rational analysis can be overpowered and reactions to the news may be emotional rather than logical.

H4: There is an investor sentiment significantly influence the relationship between media and investment decision.

Social interaction, investor sentiment and investment decision

Mohammad et al. (2025) explored that the investor sentiment plays a significant role in the effect of social interaction on investment decisions. Sentiment is increased by social cues, such as tips from friends, which boost confidence and lead to more risk taking when sentiment is positive. In negative sentiment, social interactions tend to be linked to fear and herding or panic selling. So, sentiment is a filter; it can either cause social influence to influence rational decision-making or on emotional errors, thus influencing market behavior.

H5: There is an investor sentiment significantly influence the relationship between social interaction and investment decision.

3. Research Methodology

Methods and procedures refer to the ways in which research issues are resolved decisively via a systematic process (Beerepoot et al., 2023). It describes different methodological paradigms and research approaches, research designs and scope of work, sampling techniques and size and data analysis technique to establish the quantifiable measurements on aspects of retail investors' sentiment on investment decisions have been made. The researcher used positivist philosophy because it depends on quantitative data, hypothesis testing, and statistical analysis to establish cause-effect relationships. This research evaluated empirical data using a deductive approach and tested hypotheses derived from previous studies. The deductive methodology is frequently linked to quantitative research, which depends on data collecting and statistical techniques for hypothesis testing and validation.

The causal-comparative research design has been adopted for this study, because quantitative method is appropriate for answering research questions that include identifying the variables impacting outcomes, testing hypotheses, assessing treatments, or identifying result predictors. The study used IBM SPSS version 25 and Smart PLS 4.1.1.4 software for the data analysis as well as Microsoft Excel to facilitate data processing and data entry and tabulation tasks.

In this study, non-probability sampling methods have been selected. The structured five points likert scale questionnaire survey has been used to collect the primary data from retail investors, where the questionnaire administered into KoboToolbox and data distributed and collected through email, whatsapp and messenger. The non-probability sampling technique, this research has employed purposive sampling method. This method provides in-depth insights into the retail investors' awareness of investment decisions on Nepalese stock market. The population size is undefined. So, the researcher takes 402 retail investors

of Nepalese stock market by using following cochron's 1997 formula: $n = \frac{z^2 pq}{e^2}$ (Sharma et al., 2025).

Where, n = sample size, z^2 = Z-value corresponding to the desired confidence level (i.e. 5%) – 1.96, p =

Estimated proportion of the population (0.5), and q = (1 - p) error term (i.e. 5%) - 0.05. Thus, $n = \frac{z^2 pq}{e^2}$
 $= \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.05)^2} = \frac{0.9604}{0.0025} 384.16 \approx 384$. Let us assume there are 5% of non-response errors. Then the sample size is Then, the total sample size required is = $384 + 19.2 = 403.2 \approx 403$.

The researcher has used both inferential and descriptive data analysis techniques. The research employed measurement model and structural equation model (SEM) as its inferential technique while involving multiple constructed factors. Many descriptive graphs and tables and figures were utilized for the descriptive analysis. The researcher has used demographic data with categories, age group, gender status, marital status, investment and sectors and measurement model with Factor loading, Cronbach alpha, composite reliability, average variance explained (AVE), discriminant validity and model fit test. Similarly, researcher used structural model with multicollinearity test, hypothesis test, and path analysis, R square, F square and Q square.

4. Results

Data analysis is a process of examining raw data to identify and correct errors, inconsistencies and missing values (Zhou et al., 2023). This involves converting data into a format suitable for analysis, which might include changing data types, aggregating data, or creating new variables. This analysis is done based on the questionnaire which has been surveyed with the retail investors of Nepal stock market.

4.1 Socio-Demographic Statistics

This study analyzes socio-demographic characteristics of retail investors of Nepal stock market. It explores that a below 20- above 40 age group, male and female of gender status, married and unmarried of marital status, below Rs. 1000,000- above Rs. 400,000 investment and agriculture, industry, trading and service sectors.

Table 1

Socio-demographic statistics

Respondent profile	Indicators	Number	Percentage
Age Group	Below 20	35	8.71
	20-40	319	79.35
	Above 40	48	11.94
Gender Status	Female	172	42.79
	Male	230	57.21
Marital Status	Married	310	77.11
	Single	92	22.89
Investment	Below 1000,000	292	72.64
	1000,000-20000,000	68	16.92
	2000,001-4000,000	28	6.96
	Above 4000,000	14	3.48
Sectors	Agriculture	48	11.94
	Industry	98	24.38
	Trading	154	38.31
	Service	102	25.37

Sources: Field survey, 2025

Table 1 shows demographic data with categories, age group, gender status, marital status, investment and sectors each showing frequency and percent. The table of demographic profile shows that most participants (79.35%) are aged between 20-40 years. In terms of gender, 57.21% are male and 42.79% female. Most respondents (77.11%) are married. Regarding investment, most participants (72.64%) invest

below 1000,000. Similarly, retail investors are mostly involved in trading sectors (38.31%). This indicates a relatively young, male, married, lower invest and trading sectors retail investors provided information regarding retail investors' awareness on investment decision.

Inferential Analysis

In the inferential analysis, the data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). As the study employed a reflective measurement model, the analysis was conducted in two stages: assessment of the measurement model and evaluation of the structural model.

Table 2

Measurement model

Variables	Items	Loading	Cronbach's alpha	CR	AVE
Investment Decision	ID1	0.826	0.807	0.885	0.72
	ID2	0.858			
	ID3	0.861			
Investors' Sentiment	IS1	0.893	0.855	0.912	0.775
	IS2	0.869			
	IS3	0.879			
Media	MD1	0.756	0.798	0.869	0.623
	MD2	0.78			
	MD4	0.803			
	MD5	0.818			
Social Interaction	SI1	0.782	0.813	0.877	0.64
	SI2	0.792			
	SI4	0.798			
	SI5	0.829			

Sources: Field survey, 2025

Table 2 showed that factor loading value and AVE of all constructs are greater than 0.6, which indicates strong construct validity and reliability (Abu Bakar et al., 2023). Similarly, the value of cronbach's alpha (CA) is greater than 0.6 and the value of CR are greater than 0.8, which indicates high reliability (Kaartina et al., 2015).

Table 3

Heterotrait Monotrait ratio (HTMT) Result

	ID	IS	MD	SI
ID				
IS	0.529			
MD	0.49	0.737		
SI	0.718	0.811	0.752	

Sources: Field survey, 2025

Table 3 showed that the HTMT analysis where all constructs have discriminant validity. All values are below the conservative threshold of 0.85 (Cheung et al., 2024). The results show that the four constructs (Investment Decision, Investor Sentiment, Media, and Social Interaction) are conceptually different from each other and there is no overlap or redundancy among the measurement models.

Table 4
Fornell-Larcker criterion

	ID	IS	MD	SI
ID	0.849			
IS	0.396	0.880		
MD	0.328	0.512	0.789	
SI	0.488	0.571	0.475	0.800

Sources: Field survey, 2025

The Fornell-Larcker criterion was used to test the discriminant validity of the study constructs as shown in Table 4. The diagonal values represent the square root of AVE for each construct: ID (0.849), IS (0.880), MD (0.789), and SI (0.800). These values are higher than correlations with other constructs, signifying good discriminant validity. This implies that every construct measures a different concept, and that everyone measures it uniquely. Thus, the findings show that the measure model has good discriminant validity and separation of the constructs.

Model Fit test: McNeish et al. (2018) revealed that the SRMR value below 0.12 indicates a good fit. In this study, the SRMR value for the model is 0.097, which is good because the SRMR value has under the recommended threshold. This result confirms that the proposed model adequately reproduces the observed data, demonstrating an acceptable fit between the model and the field survey data collected in 2025.

4.3 Structural Model

A structural model is a framework that shows how different variables (factors) in research are connected (Padovano & Ivanov, 2025) (see Figure 2). In structural model, Multicollinearity test, Hypothesis testing, Path analysis, R square, F square and Q square were examined.

Table 5
Multicollinearity test

Items	VIF	Items	VIF
MD1	1.476	ID1	1.746
MD2	1.618	ID2	1.727
MD4	1.668	ID3	1.771
MD5	1.708	IS1	2.297
SI1	1.569	IS2	1.95
SI2	1.698	IS3	2.19
SI4	1.677		
SI5	1.793		

Sources: Field survey, 2025

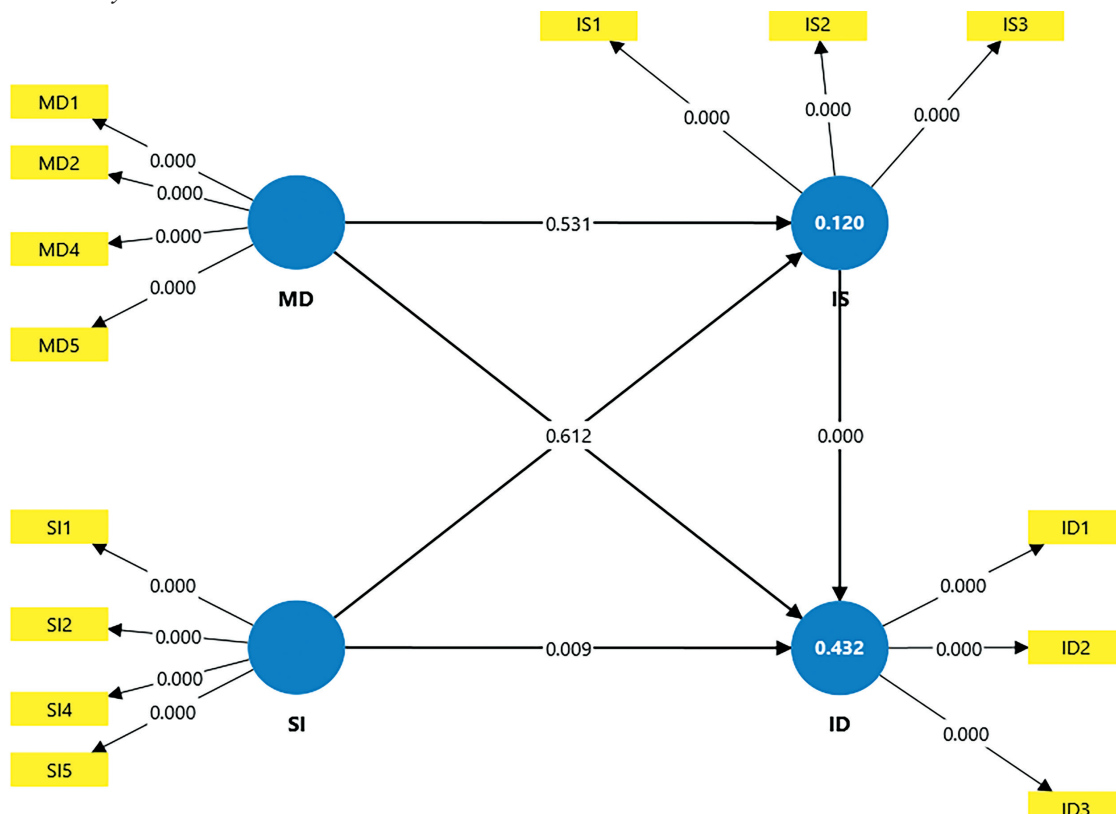
Table 5 presents the results of the multicollinearity test. Multicollinearity occurs when independent variables are highly correlated with one another, which can adversely affect the statistical significance and stability of the estimated coefficients (Kalnins, 2018). According to Kroll and Song (2013), multicollinearity is not a concern when the Variance Inflation Factor (VIF) values are below 3.3. As shown in Table 5, the VIF values for all constructs are below the recommended threshold of 3.3, indicating that multicollinearity is not present in the model. Therefore, the independent variables do not exhibit problematic levels of correlation and are suitable for further analysis.

Table 6
Hypothesis testing

Paths	Beta	S.D	T values	P values	Decision
MD -> ID (H1)	-0.133	0.262	0.507	0.612	Rejected
SI -> ID (H2)	0.668	0.257	2.599	0.009	Accepted
IS -> ID (H3)	0.236	0.049	4.802	0.000	Accepted
MD -> IS -> ID (H4)	0.032	0.052	0.615	0.539	Rejected
SI -> IS -> ID (H5)	0.05	0.056	0.891	0.373	Rejected

Source: Field survey, 2025

Table 6 showed results of hypothesis testing. The analysis of retail investors' awareness and its impact on investment decisions on Nepalese stock market has produced significant results. P value should be less than alpha value 0.05 to support alternative hypothesis(Kwak, 2023). Hypothesis 1 (H1) found that media does not positively effect on investment decision (0.612), hypothesis 2 (H2) found that social interaction does positively effect on investment decision (0.009). Similarly, hypothesis 3 (H3) found that investors' sentiment does a positively effect on investment decision (0.000). Hypothesis 4 (H4) found that an investor sentiment does not significantly influence the relationship between media and investment decision (0.539) and hypothesis 5 (H5) found that an investor sentiment significantly does not influence the relationship between social interaction and investment decision (0.373).

Figure 2
Path analysis


Source: Field survey, 2025

R Square, F Square and Q Square

The structural model assessment demonstrates satisfactory explanatory and predictive power. The R^2 values indicate that the model explains 43.2% of the variance in ID and 12.0% of the variance in IS, suggesting moderate explanatory power for ID and relatively weak explanatory power for IS. The adjusted R^2 values (0.428 for ID and 0.116 for IS) further confirm the robustness of the model by accounting for the number of predictor variables and minimizing the risk of overfitting. The f^2 analysis reveals that IS exerts the strongest effect on ID ($f^2 = 0.086$), indicating a meaningful practical contribution, whereas MD ($f^2 = 0.001$) and SI ($f^2 = 0.026$) exhibit relatively small effect sizes. These findings suggest that IS is the most influential predictor of ID within the proposed model. Furthermore, the Q^2 values for ID (0.373) and IS (0.109) are both greater than zero, confirming the predictive relevance of the model. The positive Q^2 values indicate that the model possesses adequate out-of-sample predictive capability, supporting its validity and practical applicability in explaining the relationships among the study

5. Discussion

This paper has analyzed five hypotheses about investors' awareness such as media, social interaction and investors' sentiment on investment decisions in the context of Nepalese stock market. The researcher set the first hypothesis (H1), media is significantly associated with investment decision, but the result is not supported, where the p-value is 0.612. This finding is against previous studies of P.H. and Uchil (2020); Kim and Fan (2025) which showed that the media positively impacts the investment decision process. However, the second hypothesis (H2), social interaction positively impacts on investment decisions which is supported by the empirical data because p value is 0.009. This study is like H. and Uchil (2020); Mittal et al. (2025); Wang et al. (2026). This research focused on spreading information and opinions from social interaction affects investment decisions. Talk with friends, colleagues, and online communities can lead to herd behavior, or following the herd rather than doing one's own analysis.

The third hypothesis (H3), investors' sentiment significantly impacts investment decisions, which are supported by empirical data because p value is 0.000. This study is like H. and Uchil (2020); Garg et al. (2025); Verma et al. (2026) When sentiment is negative, it tends to result in selling and emotions can be a powerful motivator to make decisions, but successful investors take a more balanced approach. Similarly, the fourth hypothesis (H4), investor sentiment significantly influences the relationship between media and investment decisions. The result did not support H4, where the p value is 0.539. Which is against of previous studies of P.H. & Uchil (2020); Qi et al. (2025). These studies explored media factors advocating recommendation and social interaction significantly and positively influence investor sentiment and investor sentiment is also found to be positively related to investment decision making.

Finally, the fifth hypothesis (H5), investor sentiment significantly influences the relationship between social interaction and investment decision, in the result did not support to H5, where the p value is 0.373. which against of previous studies of P.H. & Uchil (2020); Mohammad et al. (2025). These studies showed that the investors' sentiment significantly and positively influence the relationship between social interaction and investment decision.

The study has several limitations. First, it is based on the Nepalese stock market only, which may not be representative of other markets such as India, Japan and the USA. Secondly, the study was self-reported questionnaires and may have self-reported errors and response bias. Third, the cross-sectional design only provides data at one time, which is not suitable for revealing any changes over time or causal relations. Lastly, the small sample size due to limited time and resources could have limited the representativeness of the findings

6. Conclusion and Implication

The present study explored the relationship between behavioral factors, awareness, and their impact on investment decisions in the context of the Nepalese stock market. Little is known about the impacts of investor sentiment dimensions in Nepal, which highlights the need for further research on this topic.

Investors need to be adequately educated on various investment issues and resource allocation strategies. Behavioral aspects are trainable, and awareness programs can assist investors in enhancing their decision-making abilities and minimizing behavioral biases. By acquiring adequate knowledge of securities, investors can reduce financial losses and make informed investment decisions. The improvement of financial education should be given special consideration because it has a direct impact on the psychological aspects of investors and their decision-making skills.

The paper presents practical implications for retail investors in the field of behavioral finance. The results can be helpful to both potential and existing stock market investors. The classification of investors according to their psychological characteristics and preferences may assist in determining the analytical tools needed to overcome biases and address other investment-related requirements. Understanding the effect of emotions on financial decision-making in uncertain situations enables policymakers to develop more effective policies. The study also helps investment consultancies analyze market trends and provide investor-friendly information. Furthermore, it allows policymakers to gain a clearer understanding of investor behavior, thereby facilitating the formulation of appropriate policies.

This study indicates that investor sentiment significantly influences the investment decisions of retail investors. It implies that psychological and emotional aspects must be taken into account in addition to conventional financial analysis. Interestingly, the results show that media coverage is not a significant contributor to investor decision-making in Nepal. The insignificant influence of media may be attributed to low levels of trust in media credibility among the population, which diminishes its persuasive power. Moreover, information overload may confuse individuals rather than assist them in making decisions. Informal networks such as family, friends, and community leaders are often more trusted and perceived as more relevant than formal media sources. Similarly, this research indicates that social interaction plays an important role in the investment decisions of retail investors. It reveals that communication among friends, co-workers, parents, and social groups has a direct influence on retail investors' investment decisions. This research contributes to the existing literature by providing a more comprehensive analysis of the relationship between investor sentiment and the factors influencing it in the Nepalese context.

The research employed a cross-sectional design and was conducted using a five-point Likert-scale questionnaire survey. Nevertheless, future studies should consider longitudinal designs to examine the evolution of investor sentiment over time. Further research may also explore how demographic factors such as age, education, experience, and gender influence investor sentiment and investment decisions. Additionally, it would be valuable to investigate the interaction between investor sentiment and macroeconomic factors.

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