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Impact of Financial Literacy on Investment Decisions: Evidence From The Nepal Stock Market

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Abstract: *Purpose* - this study aims to investigate the impact of financial literacy on investment decision-making in the Nepal Stock Market. It particularly focuses on identifying disparities in financial literacy levels among investors and provides insights to inform policymakers and stakeholders in enhancing financial education programs across Nepal. *Design/methodology/approach* - a causal-comparative research design was employed, targeting investors in the Kathmandu Valley and representing all seven provinces of Nepal. Using a convenience sampling method, data were collected from 250 investors through a structured questionnaire. Analytical methods like descriptive statistics, correlation analysis, and multivariate regression were used to examine how different aspects of financial literacy—like knowledge, awareness, experience, skills, ability, and goals—affect investment decisions. *Findings*-the findings reveal that financial literacy significantly influences investment behavior, though the extent of influence varies across its components. Financial Knowledge (FKW) had a notably strong positive impact on investment decisions. Financial Awareness (FAW), Financial Experience (FEX), and Financial Skills (FSK) showed

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moderate effects. Financial Capability (FCP) emerged as a key determinant, while Financial Goals (FGL) exerted a substantial influence on decision-making. ***Originality/value***-this study provides empirical evidence of the role of financial literacy in shaping investment behavior within the Nepalese context—a relatively underexplored area. It offers practical recommendations for enhancing financial literacy through personalized education programs, accessible learning resources, and institutional integration. These insights are valuable for fostering a more informed, rational, and inclusive investment environment in Nepal.

Keywords: financial literacy, investment decision-making, Nepal Stock Market, financial education, empirical analysis

INTRODUCTION

Financial literacy is essential for providing individuals with the knowledge and skills required to make educated and effective financial decisions (Lusardi & Mitchell, 2014). It includes a broad spectrum of skills, from comprehending fundamental financial principles to administering intricate financial instruments and planning for future requirements. The global significance of financial literacy has gained recognition, leading to the incorporation of financial education in educational curriculum and public awareness initiatives (Raut, 2020). A fundamental component of financial literacy include comprehension of money management, financial instruments such as loans and insurance, the ramifications of interest rates, and the intricacies of credit markets (Mandell, 2008). Furthermore, individuals must possess the ability to evaluate financial risks, recognize fraudulent schemes, and systematically formulate their financial objectives (Hastings et al., 2013; Cole et al., 2015). These competences are essential for investors, as prudent financial decisions rely not only on access to information but also on the capacity to comprehend and utilize that information efficiently.

Notwithstanding worldwide advancements, inequalities in financial literacy levels endure. Certain individuals may display confidence in financial management but lack ability in practical scenarios (Lusardi & Mitchell, 2006). The intricacy of contemporary financial markets, technological progress, and a growing array of financial instruments has heightened the necessity for comprehensive financial literacy (Greenspan, 2001). Numerous studies have demonstrated a clear correlation between financial literacy and prudent financial behavior (Kefela, 2010), highlighting the necessity for

comprehensive financial education strategies. Empirical research conducted in Nepal by Rupakheti (2020), Vaidya and GC (2021), Nepali (2018), and Manandhar (2018) have established a positive correlation between financial knowledge and enhanced financial decision-making. These findings affirm that persons with elevated financial literacy are inclined to make more judicious and sensible investment decisions, thereby improving their financial well-being and fostering more stable personal financial management. Nonetheless, a significant portion of the current research in Nepal has inadequately examined the behavioral aspects of investment decisions, especially through the perspective of psychological frameworks like the Theory of Planned Behavior (TPB). Research conducted by Karmacharya et al. (2022), Shrestha (2020), and Vaidya (2021) indicates that social influence, basic analysis, and risk tolerance impact investment decisions, whereas Dangol and Manandhar (2020) found heuristic biases that impair rational decision-making. Despite its significance, the Theory of Planned Behavior—encompassing attitudes, subjective standards, and perceived behavioral control—continues to be underutilized in elucidating the behavior of Nepalese investors. This study seeks to address the research vacuum by examining the influence of financial literacy on investment decision-making in the Nepal Stock Market, employing the Theory of Planned Behavior as an analytical framework.

LITERATURE REVIEW

Theoretical Review

Classical Portfolio Theory asserts that investors exhibit risk aversion and tend to favour familiar financial assets, a tendency commonly associated with familiarity bias (Gollier, 2002). The increasing complexity of financial markets, particularly with the advent of structured products and credit derivatives, has undermined this conventional understanding. Recent data indicate that financial literacy significantly influences investment behavior more than mere acquaintance. Poitras and Heaney (2015) noted that financially savvy investors, albeit comprehending complicated products, generally eschew them when they do not correspond with realistic return expectations. These insights underscore the shortcomings of Classical Portfolio Theory, particularly in elucidating the intricate decisions shaped by cognitive and psychological characteristics. Incorporating behavioral components

such as investor education, cognitive capacity, and emotional influences enhances the comprehension and management of financial decision-making, providing practical consequences for investors, institutions, and policymakers. This multifaceted viewpoint is further enhanced by behavioral theories such Role Theory, Prospect Theory, and Motivation Theory. Role Theory highlights the identity-related and emotional dimensions of investment, wherein financial involvement bolsters self-esteem, control, and social worth (Kim & Moen, 2001). Prospect Theory elucidates how loss aversion and cognitive biases, such as the certainty effect and mental accounting, distort investor decisions, frequently resulting in poor portfolio strategies (Kahneman & Tversky, 1979). In addition to these perspectives, Motivation Theory examines the inner and extrinsic factors that affect financial learning and decision-making behaviors (Mandell & Klein, 2009). Collectively, these behavioral frameworks demonstrate that investment decisions are influenced not solely by rationality but by a complex interaction of knowledge, emotion, identity, and motivation—necessitating a more comprehensive approach to financial literacy and portfolio management.

EMPIRICAL REVIEW

Recent empirical investigations have revealed the intricate relationship between financial literacy, behavioral biases, and investing decisions, demonstrating that both information and psychological characteristics are essential in influencing investor behavior. Thesman and Wahyudi (2024) discovered that financial literacy and overconfidence substantially affected investment decisions among Indonesian management students, with overconfidence amplifying the effect of financial knowledge. Likewise, Sekarwangi (2024) indicated that, among millennial public officials, financial attitude and risk tolerance exerted a more significant influence on investment behavior than financial knowledge alone. These findings suggest that psychological elements like as overconfidence and attitude may occasionally supersede the influence of technical financial knowledge, underscoring the necessity of considering behavioral qualities when analyzing investment patterns.

Additional evidence arises from many contexts, including India, Nepal, and Indonesia, where researchers have examined the influence of behavioral and contextual variables on investment decisions. Lakshmi et al. (2024) emphasized the impact of information asymmetry, framing, and risk-taking

proclivities among Indian investors, whereas Kharel et al. (2024) demonstrated the effects of parental influence, media exposure, and educational background on financial literacy and investment behavior among Nepalese MBA students. Akim et al. (2023) substantiated these findings in a comprehensive study, indicating that financial literacy and awareness enhance investment outcomes by refining risk assessment and influencing expectations. Chandra et al. (2023) and Laning and Setiawan (2023) identified substantial influences of financial literacy, overconfidence, and risk tolerance, whereas demographic factors such as age and gender exhibited minimal effect—highlighting the preeminence of psychological over structural determinants in investor behavior.

In the context of Nepal, an increasing volume of research has substantiated the interconnected impacts of financial literacy and behavioral factors. Tiwari (2023) shown, through the Theory of Planned Behavior, that financial literacy indirectly affected investment intention by influencing attitudes and perceived behavioral control. Lamichhane (2023) identified significant positive correlations between investment behavior and aspects of financial literacy, encompassing awareness and experience. Khadka (2023) and Karki et al. (2023) noted that economic autonomy and specialized financial training markedly improved investment decision-making, particularly in rural regions. Research conducted by Chapagain et al. (2022) and Weixiang et al. (2022) highlighted that biases, including heuristics and framing effects, frequently impede rational decision-making. These findings correspond with Suresh (2021) and Yulianis and Sulistyowati (2021), who determined that although financial literacy fosters prudent investment behavior, behavioral biases such as overconfidence and heuristics often exert a more significant influence—underscoring the critical importance of merging financial education with behavioral insights to promote effective investment practices.

RESEARCH FRAMEWORK AND DEFINITION OF THE VARIABLES

This study utilized a research paradigm derived from Lamichhane (2023), which delineates financial knowledge, financial awareness, financial experience, financial skills, financial competence, and financial aspirations as independent variables. These elements were posited to affect investment decision-making, which acts as the dependent variable in this study. This research aims to enhance existing literature and provide empirical insights into the correlation between

financial literacy and investment behavior, utilizing Lamichhane's (2023) paradigm within the context of the Nepalese stock market.

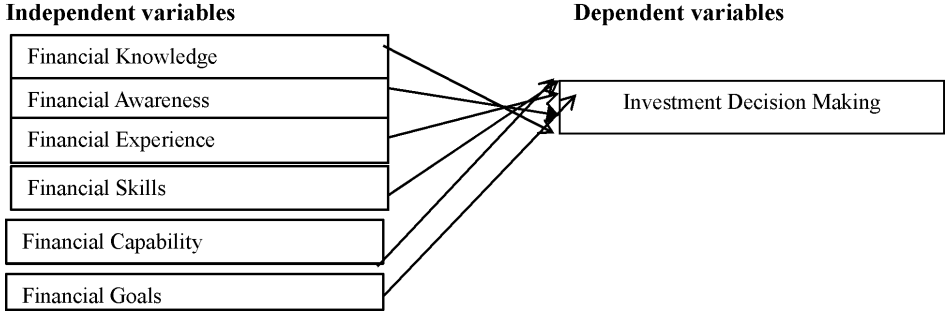

Figure 1: Conceptual framework

Source: Lamichhane (2023)

This study examines the impact of six essential financial literacy components on investment decision-making, the dependent variable. The components—financial knowledge, financial awareness, financial experience, financial skills, financial capabilities, and financial goals—function as independent variables. Each contributes uniquely to individuals' capacity to make informed investing decisions in the Nepalese stock market.

Hypothesis (H1): *Financial knowledge exerts a considerable beneficial influence on investment decision-making (Riitsalu & Murakas, 2019; Allgood & Walstad, 2013).*

- Hypothesis (H2): *Financial awareness significantly positively influences investment decision-making (Al-Tamimi & Kalli, 2009; Guiso & Jappelli, 2005).*
- Hypothesis (H3): *Financial experience significantly enhances investment decision-making (Sohn et al., 2012; Frijns et al., 2014).*
- Hypothesis (H4): *Financial skills exert a large beneficial influence on investment decision-making (Banks & Oldfield, 2007; Cole et al., 2011).*
- Hypothesis (H5): *Financial capability exerts a considerable beneficial influence on investment decision-making (Nicolini et al., 2013; Riitsalu & Poder, 2016).*
- Hypothesis (H6): *Financial objectives exert a strong beneficial influence on investment decision-making (O'Neill et al., 2000; Woodyard, 2013).*

DATA, VARIABLES AND METHODS

This section delineates the analytical methodologies utilized in the study, encompassing descriptive statistics, correlation analysis, and regression analysis. Descriptive statistics were employed to summarize the dataset through the calculation of means, standard deviations, and frequencies, providing an overview of data patterns and major tendencies. Correlation analysis was performed to evaluate the degree and direction of linear correlations between the independent variables (financial knowledge, awareness, experience, skills, competence, and goals) and the dependent variable (investment decision-making). Multiple regression analysis was employed to assess the predictive potential of these variables, facilitating the study of the influence of each financial literacy component on investment decisions. The methodological approaches yielded empirical information regarding the correlation between financial literacy and investment behavior in the Nepal Stock Market. The regression model employed in this research is as follows:

$$IDM = \alpha_1 + \beta_1 FKW + \beta_2 FAW + \beta_3 FEW + \beta_4 FSK + \beta_5 FCP + \beta_6 FGL + e_i$$

Where,

α_1= Constant intercept of the regression and β_1,….. β_6 are the coefficient of regression, IDM = Investment Decision Making (Dependent variable), FKW = Financial Knowledge, FAW = Financial Awareness, FEX= Financial Experience, FSK = Financial Skills, FCP= Financial Capability, FGL= Financial Goals and e_i =Error term.

Table 1: Demographic Profile of Respondents

Variables		*Frequency*	*Percent*
Gender	Male	132	52.80
	Female	118	47.20
	16 to 25	30	12.00
	26 to 35	87	34.80
Age in Years	36 to 45	96	38.40
	46 to 55	24	9.60
	56 and above	13	5.20
	Intermediate and below	35	14.00
Education Level	Undergraduate	51	20.40
	Graduate	147	58.80

Variables		*Frequency*	*Percent*
	Post Graduate	17	6.80
	Below Rs. 500,000	39	15.60
Family Income (yearly)	Rs. 500,001 – Rs. 700,000	56	22.40
	Rs. 700,001 – Rs. 10,00,000	79	31.60
	Above Rs. 10,00,000	76	30.40
	Less than 10,00,000	165	66.00
Investment in Stock Market	Rs. 10,00,001 – Rs. 25,00,000	39	15.60
	Rs. 25,00,001 – Rs. 50,00,000	18	7.20
	Above Rs. 50,00,000	28	11.20
	Less than 2 Years	19	7.60
Experience in Stock Market	2 to 3 Years	81	32.40
	5 to 10 Years	97	38.80
	More than 10 Years	53	21.20
Preferred Market	Primary	64	25.60
	Secondary	186	74.40
Do you analyze the company during investment?	Yes	197	78.80
	No	53	21.20
	Daily	58	23.20
Monitoring Investment Portfolio	Monthly	153	61.20
	Occasionally	39	15.60

Source: From questionnaires

Table 1 delineates the demographics of the respondents. Among the 250 participants, 52.8% were male and 47.2% were female. The majority were aged between 26 and 45, comprising 73.2%. In terms of education, 58.8% were graduates, while 6.8% held postgraduate degrees. The annual household income predominantly fell between Rs. 700,001 and Rs. 1,000,000 (31.6%) and exceeded Rs. 1,000,000 (30.4%). Approximately 66% possessed stock investments below Rs. 1,000,000, while 38.8% had 5 to 10 years of market experience. Seventy-four point four percent favored the secondary market. Approximately 79% of the examined companies conducted analysis before to investment, while 61.2% observed their portfolios on a monthly basis.

Table 2: Summary of Descriptive Statistics

Code	*Variables*	*N*	*Mean*	*S.D.*
FKW	Financial Knowledge	250	3.781	0.779
FAW	Financial Awareness	250	3.673	0.683
FEX	Financial Experience	250	3.529	0.644
FSK	Financial Skills	250	3.550	0.594
FCP	Financial Capability	250	3.640	0.648
FGL	Financial Goals	250	3.679	0.679
IDM	Investment Decision Making	250	3.772	0.585

Note: From researcher calculation

IDM represent Investment Decision Making (Dependent variable), FKW denote Financial Knowledge, FAW indicate Financial Awareness, FEX represent Financial Experience, FSK denote Financial Skills, FCP indicate Financial Capability and FGL represent Financial Goals.

Table 2 presents a summary of descriptive statistics for characteristics related to financial literacy and investment decision-making. Mean scores varied from 3.53 to 3.78, signifying moderate to high levels of perceived financial knowledge. Financial Knowledge (3.78) and Investment Decision Making (3.77) exhibited the highest means, whereas Financial Experience (3.53) recorded the lowest. Respondents indicated moderate awareness, abilities, capability, and clarity on financial goals, implying generally favourable perceptions of their financial literacy and its influence on investment decisions.

Table 3: Descriptive Study of Financial Knowledge on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I possess a strong understanding of financial concepts related to stock market investing.	250	3.688	1.192
I am confident in my ability to analyze financial data pertaining to the Nepal Stock Market.	250	3.784	1.003
I have a solid understanding of investment strategies that are well-suited to the Nepal Stock Market.	250	3.916	1.004
I actively pursue information to enhance my knowledge of the Nepal Stock Market.	250	3.744	0.969
My financial knowledge has contributed positively to making informed investment decisions in the Nepal Stock Market.	250	3.808	0.963
Understanding the financial reports of companies listed on the Nepal Stock Market is essential to me.	250	3.768	0.937
I regularly educate myself on the economic factors that influence the Nepal Stock Market.	250	3.760	0.904

Note: From researcher calculation

Table 3 presents the descriptive statistics for financial knowledge and investment decision-making. The statement with the highest rating was "I am knowledgeable about investment strategies suitable for the Nepal Stock Market" (mean = 3.916), whilst the lowest rated was "I have a good understanding of financial concepts relevant to stock market investment" (mean = 3.688). Respondents exhibited moderate to high financial literacy, with varying levels of confidence in distinct domains.

Table 4: Descriptive Study of Financial Awareness on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I stay informed about current economic trends and developments in Nepal.	250	3.712	0.912
I keep myself updated on news and events that could impact the Nepal Stock Market	250	3.496	0.987
I am comfortable discussing investment opportunities in the Nepal Stock Market.	250	3.744	0.973
I actively seek information about companies listed on the Nepal Stock Market.	250	3.660	0.923
My awareness of financial risks and rewards shapes my investment decisions in the Nepal Stock Market	250	3.752	0.907
I have a clear understanding of the regulatory environment governing the Nepal Stock Market.	250	3.664	0.878
I take the political landscape of Nepal into account when making investment decisions in the stock market.	250	3.684	0.878

Note: From researcher calculation

Table 4 encapsulates the descriptive findings about financial awareness and investment decision-making. The most highly rated statement was "My awareness of financial risks and rewards influences my investment decisions" (mean = 3.752), indicating a prudent investment strategy. The statement with the lowest rating was "I keep myself updated on news and events affecting the Nepal Stock Market" (mean = 3.496), indicating a diminished emphasis on remaining informed. Respondents consider financial awareness, particularly risk perception, crucial in their decision-making; nonetheless, there is potential for enhancement in monitoring market-related news.

Table 5: Descriptive Study of Financial Experience on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
My investing experience has enhanced my understanding of the Nepal Stock Market.	250	3.668	0.899
I have a strong grasp of how to manage risks associated with stock market investments in Nepal.	250	3.684	0.910
I actively pursue opportunities to enhance my investment skills in the Nepal Stock Market.	250	3.432	0.943
I am confident in my skills to analyze stock market trends unique to Nepal.	250	3.404	0.978
My past investment experiences in the Nepal Stock Market have positively shaped my current investment decisions.	250	3.440	0.935
I consistently monitor my investments in the Nepal Stock Market and adjust my strategies as needed.	250	3.540	0.910
I seek advice from experienced investors or financial advisors for my investments in the Nepal stock Market	250	3.536	0.888

Note: From researcher calculation

Table 5 encapsulates the descriptive results of financial experience and investment decision-making. The most highly rated statement was "I possess a solid understanding of how to manage risks related to stock market investments in Nepal" (mean = 3.684), indicating robust confidence in risk management. The statement "I am confident in my ability to analyze stock market trends specific to Nepal" received the lowest rating (mean = 3.404), reflecting diminished trust in trend analysis. Respondents generally perceive themselves as competent in managing investment risks, however they may require enhancement of their skills in analyzing local market trends.

Table 6: Descriptive Study of Financial Skills on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I possess the essential skills to analyze stock market data effectively.	250	3.408	0.962
I am confident in my ability to make profitable investment decisions in the Nepal Stock Market.	250	3.468	0.874
I actively pursue opportunities to improve my investment skills specifically for the Nepal Stock Market.	250	3.520	0.861
I am proficient in using financial tools and software to analyze stock market trends in Nepal.	250	3.500	0.970
I understand both fundamental and technical analysis methods applicable to the Nepal Stock Market.	250	3.648	0.912

Statements	*N*	*Mean*	*S.D.*
I am skilled in managing my investment portfolio in the Nepal Stock Market.	250	3.656	0.906
I am confident in my ability to identify and take advantage of investment opportunities in the Nepal Stock Market.	250	3.652	0.902

Note: From researcher calculation

Table 6 delineates financial competencies important to investment decision-making. Participants exhibited the greatest confidence in managing their investment portfolios (mean = 3.656), whereas the least confidence was shown in analyzing stock market data (mean = 3.408). The results demonstrate proficient portfolio management skills while indicating a necessity for enhancement in data analysis capabilities.

Table 7: Descriptive Study of Financial Capability on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I have a clear understanding of my financial goals and objectives when investing in the Nepal Stock Market.	250	3.604	0.891
I am knowledgeable about the various investment options available in the stock market.	250	3.588	0.893
I am motivated to take proactive steps toward achieving my financial goals through investments in the Nepal Stock Market.	250	3.604	0.878
I actively look for opportunities to grow my wealth through investments in the Nepal Stock Market.	250	3.724	0.821
I am confident in my ability to build a diversified investment portfolio tailored to the Nepal Stock Market.	250	3.568	0.921
I have a financial plan that aligns with my long-term investment objectives in the Nepal Stock Market.	250	3.692	0.876
I regularly review and adjust my investment strategies to adapt to the evolving market conditions in Nepal.	250	3.700	0.888

Note: From researcher calculation

Table 7 encapsulates financial acumen in investment decision-making. Participants exhibited a higher propensity for pursuing investing possibilities (mean = 3.724), although demonstrated diminished confidence in constructing diversified portfolios (mean = 3.568). The results indicate modest financial capability, characterized by strengths in initiative but diminished confidence in portfolio design.

Table 8: Descriptive Study of Financial Goals on Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I have a clear vision of my financial goals related to investing in the Nepal Stock Market.	250	3.776	0.895
I am committed to achieving my financial goals through investing in the Nepal Stock Market.	250	3.720	0.874
I recognize the importance of setting realistic financial goals for my investments in the Nepal Stock Market.	250	3.684	0.869
I regularly evaluate my progress toward achieving my financial goals in the Nepal Stock Market.	250	3.676	0.929
I am willing to modify my investment strategies to ensure I achieve my financial goals in the Nepal Stock Market.	250	3.708	0.948
I believe that reaching my financial goals in the Nepal Stock Market will bring me financial security.	250	3.564	0.997
I am confident that my investments in the Nepal Stock Market will enable me to achieve my long-term financial objectives.	250	3.624	0.975

Note: From researcher calculation

Table 8 presents respondents' perspectives on financial objectives in investment decisions. The majority concurred that they possess a defined vision for their investing objectives (mean = 3.776), however a lesser number stated that attaining these objectives ensures financial security (mean = 3.564). This indicates robust goal clarity but moderate assurance in results.

Table 9: Descriptive Study of Investment Decision Making

Statements	*N*	*Mean*	*S.D.*
I am confident in my ability to make sound investment decisions.	250	3.664	0.935
I consistently research and analyze potential investment opportunities.	250	3.704	0.860
I take into account various factors such as risk, return, and market conditions before making investment decisions.	250	3.720	0.928
I consult financial experts or advisors before making major investment decisions.	250	3.784	0.797
I have a clear investment strategy that aligns with my financial goals.	250	3.764	0.871
I regularly review my investment portfolio to ensure it stays diversified and aligned with my financial objectives.	250	3.768	0.870
I take a proactive approach in adjusting my investment strategy to respond to changing market conditions.	250	4.004	0.779

Note: From researcher calculation

Table 9 encapsulates the process of investment decision-making. The most highly rated statement is "I proactively adjust my investment strategy with market changes" (mean = 4.004), signifying robust adaptability. The statement "I feel confident in my ability to make investment decisions" received the lowest rating (mean = 3.664), indicating relatively diminished confidence among respondents.

Table 10: Correlation Analysis

Variables	*EKW*	*FAW*	*FEX*	*FSK*	*FCP*	*FGL*	*IDM*
FKW Correlation	1						
FAW Correlation	.617**	1					
Sig. (2-tailed)	0.000						
FEX Correlation	.384**	.578**	1				
Sig. (2-tailed)	0.000	0.000					
FSK Correlation	.409**	.520**	.581**	1			
Sig. (2-tailed)	0.000	0.000	0.000				
FCP Correlation	.466**	.608**	.499**	.621**	1		
Sig. (2-tailed)	0.000	0.000	0.000	0.000			
FGL Correlation	.492**	.574**	.456**	.552**	.680**	1	
Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000		
IDM Correlation	.464**	.573**	.435**	.517**	.645**	.741**	1
Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	

Note: From researcher calculation

IDM represent Investment Decision Making (Dependent variable), FKW denote Financial Knowledge, FAW indicate Financial Awareness, FEX represent Financial Experience, FSK denote Financial Skills, FCP indicate Financial Capability and FGL represent Financial Goals.

Table 10 illustrates the relationships between characteristics of financial literacy and investing decision-making. Financial Knowledge (FKW) exhibits a modest positive connection with Investment Decision Making (IDM) at 0.464, significant at the 5% level, suggesting that enhanced knowledge facilitates informed decision-making. Financial Awareness (FAW) exhibits a robust positive connection with IDM (0.573), which is statistically significant, indicating that increased awareness fosters more proactive investment decisions. Financial Experience (FEX) exhibits a moderate correlation with IDM (0.435), indicating that increased experience is associated with improved decision-making. The Financial Skills (FSK) and IDM have a moderate

positive association of 0.517, suggesting that enhanced skills facilitate rational decision-making. The Financial Capability (FCP) exhibits a robust positive association with IDM at 0.645, indicating that enhanced capability facilitates strategic investments. Ultimately, Financial Goals (FGL) exhibits the most robust positive association with IDM at 0.741, underscoring that well-defined financial objectives significantly impact intentional investment choices. All correlations are statistically significant at the 5% threshold.

Table 11: Model Summary of Regression Model

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	0.776	0.602	0.592	0.37337

Note: From researcher calculation

Table 11 encapsulates the regression model examining the influence of financial literacy characteristics on investment decision-making. Financial Goals (FGL), Financial Experience (FEX), Financial Knowledge (FKW), Financial Skills (FSK), Financial Awareness (FAW), and Financial Capability (FCP) account for 60.2% of the variance in Investment Decision Making (IDM). The model demonstrates statistical significance, exhibiting an adjusted R^2 of 0.592. The standard error of estimation is 0.37337, signifying commendable predictive accuracy.

Table 12: ANOVA Table of Regression Model

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	51.256	6	8.543	61.279	0.000
	Residual	33.876	243	0.139		
	Total	85.132	249			

Note: From researcher calculation

Table 12 presents the ANOVA outcomes for the regression model evaluating financial literacy variables in forecasting Investment Decision Making (IDM). The model has statistical significance ($F = 61.279$, $p < 0.000$), signifying that the variables collectively account for a substantial percentage of the variance in IDM. Consequently, the model is deemed an appropriate fit for analysis, with significance below the 0.05 criterion.

Table 13: Beta Coefficient of Regression Model

		Unstandardized Coefficients		*Standardized Coefficients*			*Collinearity Statistics*	
Model		*B*	*Std. error*	*Beta*	*t*	*Sig.*	*Tolerance*	*VIF*
1	(Constant)	0.923	0.168		5.487	0.000		
	FKW	0.025	0.040	0.033	0.625	0.532	0.588	1.700
	FAW	0.111	0.054	0.130	2.079	0.039	0.419	2.387
	FEX	0.003	0.049	0.003	0.051	0.959	0.556	1.799
	FSK	0.045	0.056	0.046	0.799	0.425	0.499	2.004
	FCP	0.162	0.057	0.180	2.865	0.005	0.415	2.409
	FGL	0.431	0.051	0.501	8.491	0.000	0.470	2.128

Note: From researcher calculation

IDM represent Investment Decision Making (Dependent variable), FKW denote Financial Knowledge, FAW indicate Financial Awareness, FEX represent Financial Experience, FSK denote Financial Skills, FCP indicate Financial Capability and FGL represent Financial Goals.

Table 13 displays the regression coefficients, significance levels, and multicollinearity statistics for the financial literacy variables affecting investment decision-making (IDM). Financial Knowledge (FKW) exhibits a slight positive correlation with IDM (B = 0.025, Beta = 0.033) and is statistically significant at the 5% level (p = 0.032), suggesting a modest yet dependable influence without multicollinearity issues (VIF = 1.700). Financial Awareness (FAW) exerts a moderate positive effect on IDM (B = 0.111, Beta = 0.130), which is statistically significant at the 5% level (p = 0.039), and demonstrates adequate multicollinearity (VIF = 2.387). Financial Experience (FEX) demonstrates an insignificant impact on IDM (B = 0.003, Beta = 0.003) and lacks statistical significance (p = 0.959); nevertheless, the VIF of 1.799 suggests the absence of multicollinearity concerns. The correlation between Financial Skills (FSK) and IDM is modest (B = 0.045, Beta = 0.046) and lacks statistical significance (p = 0.425), with a VIF of 2.004, indicating it is not a robust predictor. Conversely, Financial Capability (FCP) exerts a moderate and significant positive influence on IDM (B = 0.162, Beta = 0.180; p = 0.005), with a VIF of 2.409 signifying the absence of multicollinearity issues. Financial Goals (FGL) exhibit the most substantial and statistically significant influence on IDM (B = 0.431, Beta = 0.501; p = 0.000), affirming that persons with well-articulated financial

objectives are more inclined to engage in informed investing decisions. The VIF of 2.128 indicates that FGL does not present multicollinearity concerns, underscoring its significance as the most impactful predictor in the model.

CONCLUSION

The research results indicate that investors in the Nepalese Stock Market generally exhibit a positive level of financial literacy, particularly in terms of financial knowledge. However, there is still room for growth in the areas of financial acumen, experience, and goal clarity. Thesman and Wahyudi (2024) suggest that investment decision-making can be improved by using targeted interventions to improve these areas. The results indicate that Financial Knowledge (FKW) has a moderate positive impact, while Financial Awareness (FAW), Financial Capability (FCP), and Financial Goals (FGL) have considerably more robust and statistically significant effects on investment decisions. Conversely, Financial Skills (FSK) and Financial Experience (FEX) exhibit weak impacts and lack statistical significance, suggesting that they have limited predictive capacity. These results are consistent with the findings of Laning and Setiawan (2023) and Ulfa et al. (2023), who also discovered that financial literacy, particularly awareness, capability, and goal setting, has a positive impact on investment behavior. Additionally, the Theory of Planned Behavior (TPB) is employed by Thapa and Kc (2020) to underscore the significant influence of financial objectives, which is consistent with the focus of this investigation on FGL. Contrary to this, research conducted by Suresh (2021), Weixiang et al. (2022), and Lakshmi et al. (2024) underscores the significance of psychological factors and behavioral biases, including risk tolerance and heuristics. These findings suggest that financial literacy should be enhanced by behavioral considerations. Additionally, Akims et al. (2023) and Chandra et al. (2023) emphasize the significance of financial literacy, while also emphasizing the influence of investor confidence and awareness on investment decisions. In summary, this investigation underscores the necessity of enhancing specific aspects of financial literacy, specifically financial objectives, to facilitate more informed and purposeful investment decisions in the Nepalese Stock Market.

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