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Effect of Market Information on Student's Investment Behavior

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Abstract

The study focuses on analyzing the effect of market information on students' investment behavior in the stock market by employing a sample size of 103 TU BBA students in Sorahkhutte. The data were collected using a structured questionnaire containing yes/no responses, multiple-choice questions, ranking questions, and Likert scale questions measured in different scales. The survey was conducted in the month of November 2021. One of the factors influencing investing behavior is market information. The research design embraced in the study were descriptive, relational, and causal research designs. Various tools used for data analysis were mean, median, standard deviation, Independent sample t-test, correlation, regression, etc. The study's findings revealed that market information significantly affects students' investment behavior in the Nepali stock market. The study will guide students and other investors to improve, exercise, and promote their investing strategy, planning, and procedures.

Keywords: students' investment behavior, market information, stock market

1. Background of the problem

Investment decisions are considered one of the significant aspects of making financial decisions that are often supported by decision tools (Shrestha, 2020). Investors commonly make investment decisions by fundamental analysis, technical analysis, and judgment. Investment decisions function on individual market characteristics, personal risk profiles, and accounting information. The classical wealth maximization standard is essential to investors, despite the fact investors employ various criteria when choosing stocks (Nofsinger & Sias, 2002). Studies suggested that different behavior biases influence investment decisions. Chaffai and Medhioub (2014) exposed that the persons with a high

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education level were subject to behavioral biases. The information on the market could not lead to market efficiency. The study by Bajracharya (2018) found no association between investors' attitudes towards mutual funds based on demographic and socioeconomic. Investors provide their highest preference for brokers as a source of information. Risal and Khatiwada (2014) revealed that quick decisions had a relationship with herding behavior. Hence, it is clear that peer pressure, market factors, mood, insights, motivation, and various other behavioral finance dimensions should be considered while making the investment decision.

Understanding individual investors' behavior and the role of market information in the stock investment process has been an emerging area of study in behavioral Finance. This area of study is primarily concerned with identifying and understanding how investors in the stock market interpret and react to the micro and macro information while making an investment decision (Rana, 2019). However, there are very few studies related to investors' behavior on stock market investment decisions in the case of the Nepali stock market. Therefore, the current study aims to analyze the investment behavior of Nepali investors and the role of market information while making an investment decision. Adhikari (2010) analyzed that Nepalese investor are mostly overconfident regarding their self-reported level of investment-related knowledge, experience, and ability to pick a stock. And research is conducted towards answering the following questions.

- How does the market information affect students' investment behavior in the Nepali stock market?

2. Objectives of the study

The study's purpose helps the subject estimate the importance of the study related to individual values. Therefore, any survey has to be objective that highlights the research work's purpose. The study's primary goal is to determine the effect of market information on students' investment behavior in the Nepali stock market. The determined objectives of the study are:

- To explore the level of market information and students' investment behavior in the Nepali stock market across males and females;
- To examine the relationship of market information with students' investment behavior in the Nepali stock market; and
- To examine the impact of market information on students' investment behavior in the Nepali stock market.

3. Literature survey

Several theories explain the investment decision and factors associated with an investment decision. The prospect theory reviewed in the study is also known as the loss aversion theory. Kahneman and Tversky (1979) developed the Prospect theory. The theory said that given choices presented in two ways, offering the same result, an individual would pick the option showing perceived gains. The theory was developed to understand the

investors' biases while investing, where losses cause a more significant emotional impact than the equivalent gain.

Khelda (2011) investigated the factors affecting investment decisions in exchange markets in developing countries. This study was conducted in the Amman stock exchange market (ASEM). The effect on the investment was in two directions. One direction was emotional, while the other was the effect on the investment decisions. The factors that affect the investment in ASEM can be classified as political, market, and local enterprise factors as factors considered nationally.

Kadariya (2012) investigated the factors affecting investor decision making: A case of Nepali capital market. It found that there are a majority of the investors involved in the Nepali stock market are young, a portion of the investors are educated, banking and finance sector are the most popular investment sector, fundamental analysis method was the famous and dividends, earnings, number of equity, book-to-market ratio, political situation are the factors that influenced the investment decision of the investors in the Nepali stock market.

Ansari and Moid (2013) conducted a study to identify the factors affecting investing behavior among young professionals. The study found that investing activity of young professionals is independent of gender but dependent on income and age. Also observed, most the investors invest for growth and additional income and the major factors that guide their investment decision risk factor, which means that investors are primarily risk-averse.

Rahman and Bristy (2016) researched the factors affecting investors' perception of investment in the stock market to compare the identified influential factors concerning the demographic characteristics of the investors. In the study, it was found that there were no significant differences in 24 out of 25 variables in terms of gender, 20 out of 25 variables in terms of age, 10 out of 25 variables in terms of education, and 23 out of 25 variables in terms of occupation of the investors. Being human, investors were often guided by their behavioral sentiments and specific key rational attributes regarding risk tolerance. However, the study has used gender and age as moderating variables. Thus, the study hypothesizes:

H_{01}: *There is no significant mean difference on access to market information across males and females.*

H_{02}: *There is no significant mean difference on students' investment behavior across males and females.*

Gill, Khurshid, Mahmood, and Ali (2018) found a positive relationship between economic expectations and investment decision-making behavior. Also, overconfidence bias was found to have a positive and significant relationship with investment decision-making behavior. But when information search was included as a mediator, the relationship became insignificant and negative, which suggests complete mediation in case of economic expectations.

Thapa (2019) aimed to identify the influencing factors of the stock price in Nepal. By analyzing the behavioral aspect of investors in the research work, it was concluded that most respondents prefer to buy the stock from the primary. Dividends and short-term interest rates could be the most important predictors of the stock prices in the secondary market. The dividend is a driving force to determine the stock price.

Rajesh and Daga (2019) studied the factors affecting students' investment behavior in Bangalore- an empirical analysis in Bangalore, India. It found a high degree of relationship between dependent and independent variables, and there is a significant impact and causal effect among the dependent variable.

Risal (2019) conducted a study on the psychology of the investors in the Nepali stock market and investment decisions. The study analyzed the factors affecting the psychology of investors on investment decisions in the stock market. The study showed that friend recommendations had worked in the psychology of investors. In addition, dividend policy and market price were used as indicators of investment decisions.

Shrestha (2020) focused on identifying the factors influencing investment decisions of individual investors in the Nepalese capital market and concluded that Nepalese investors prefer stock of those companies whose expected return will be high in the future, and market-related variable respondents have given more importance on market information for making stock investment decisions. Thus, the study hypothesizes:

H_{03}: There is no *significant relationship of market information with students' investment behavior in the stock market.*

*H_{04}: There is no significant impact of market information on students' investment behavior in the st*ock market.

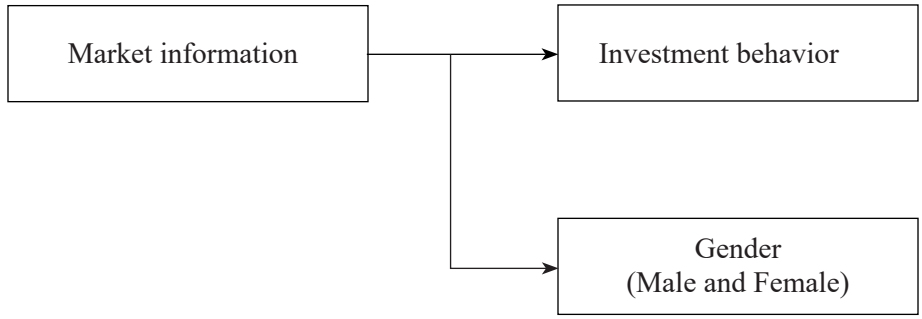

Figure 1. Research framework of the study

The study conceptualizes the research framework based on the literature survey as depicted in *Figure 1.* Market information is considered any written, printed, audio-visual or visual information that helps anyone decide in investing or doing any work. Shrestha (2020) indicated that market share price, dividends, policies, past trends of stocks, suggestions from the experts, companies' balance sheets, and other market-related information are known as market information. A market is a composition of systems, institutions, procedures, social relations, or infrastructure whereby parties engage in exchange. Where

exchange in this study refers to the sale of information related to stocks and financial conditions in the current market. The market is a coordinating mechanism that uses prices to convey information among economic entities such as firms, households, and individuals to regulate their investing methods. The market allows any tradable item to be evaluated and priced (Coase, 1937). In mainstream economics, the concept of a market is any structure that will enable buyers and sellers to exchange any information. Thus, market information is the most crucial factor that affects the investing behavior of the students. Students investing behavior changes with the available market information.

Investment behavior is defined as how investors judge, predict, analyze, and review the decision-making procedures, including investment psychology, information gathering, defining and understanding, research, and analysis. The whole process is investment behavior (Slovic, 1972). The investment decision of investors is generally determined by fundamental analysis, technical analysis, and judgment. The investment decisions were the function of individual factors, such as market characteristics and personal risk profiles, and accounting information. The investors are primarily overconfident regarding their self-reported level of investment-related knowledge, experience, and ability to pick stock (Adhikari, 2010). Decision tools often support investment decisions. Investment behavior changes from time to time with the opportunities available in the market. Some Investors prefer to gain more by taking more risks. On the other hand, others like to play safe and take less risk while investing. Thus, the investment behavior of the students also depends on the factors available in the market.

4. Research methodology

This section presents the study methods designed to accomplish the study objectives. It briefly describes the research design, population, and data sources used in the study. The study managed to inspect and explore the effect of market information on students' investment behavior in the Nepali stock market. The research design applied in this research is quantitative. The research study was constructed through descriptive, causal, and relational research designs. The superior design describes the variables' characteristics and represents the participants in the study. It was selected to study to learn the profile of the respondents, present and explain the collected data, and the factors that affect students' investment behavior in the Nepali stock market. The causal-comparative research design identifies the extent and the nature of the cause-and-effect relationship between variables. This study also used the relational research design to determine the relationship between the independent and dependent variables. It determines whether the market information has a significant relation with the investment behavior of students.

The study population is the entire accumulation of BBA students of TU (Tribhuvan University). The people selected for this study were total students from the Sorahkhutte area of Kathmandu. Due to the large population size, it is impossible to test every student in the population, so the study used a convenient sampling method. Therefore, BBA students in Sorahkhutte were used as the targeted population. These students are in a position to gain knowledge about the Nepali stock market and have been involved in investing and trading in the stock market.

The study is based on the primary source of the data. A set of structured questionnaires were distributed among the sample as an instrument to collect preliminary data in this study. The questionnaire was divided into two main categories, i.e., classification and research questions. The classification question was used to collect personal information such as name and gender, whereas the research questions were to gather the data based on the research topic. In addition, a self-administered structured questionnaire of the 5-point Likert scale (ranging from strongly agree to disagree strongly) was developed. The questionnaire contained various forms, such as multiple-choice questions, single-choice questions, and a 5-point Likert scale.

5. Presentation and analysis of the data

The responses received from these respondents have been arranged, tabulated, and analyzed to facilitate the study's descriptive analysis. The data were analyzed using various descriptive statistical tools frequency, percentage, bar-diagram, mean, median, standard deviation, independent sample t-test, correlation, and regression analysis. The calculations of the data were made by using Microsoft Excel 2016. The independent sample t-test is used as a statistical tool to test whether there is a significant difference or not independent and independent variables under study across the moderating variables of the study. Linear regression analysis is a statistical measure that endeavors to decide the quality of the connection between ward variables and at least one free factor. In this investigation, regression analysis is led to the responses provided in the Likert scale by summating and dividing them by the number of statements in each variable to discover the magnitude of the relationship between independent and dependent variables under study.

The regression model of the study is given as follows:

$Y= a+bX+e$

Where, Y = Students investment behavior, a = Intercept, X= Market information, b = Coefficient of market information, and e= Error term

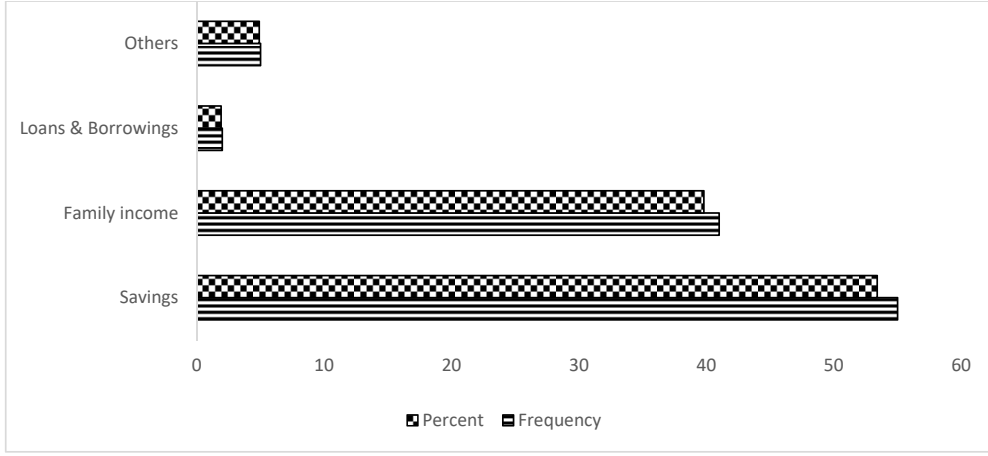

Figure 2. Investment source of the respondents

Figure 2 presents the respondents' profiles based on the investment source category. Out of the 103 respondents, 55 respondents invest from savings, 41 respondents invest from family income, two respondents invest from loans & borrowings, and 5 respondents invest from other investment sources. 53.4, 39.8, 1.1, and 4.9 percent of respondents invest from savings, family income, loans & borrowings, and other investment sources, respectively.

Table 1
Summary of descriptive statistics

Variables/Statistics	N	Mean	Median	Std. Deviation
Market information	103	3.66	3.75	0.67
Students investment behavior	103	3.34	3.38	0.55

The summarized result of descriptive statistics of the variables under the study is shown in *Table 1.* The table shows the descriptive statistics mean, median, and standard deviation of the variables under the investigation of all sample respondents. It reveals the explanatory status of the whole sample. It is found that the mean value of market information is 3.66, followed by a mean value of 3.34 for students' investment behavior. Similarly, the median value of market information is 3.75, and students' investment behavior is 3.38. Standard deviation and variance are also highest for market information with values of 0.67 in standard deviation, followed by students' investment behavior with a value of 0.55 in standard deviation.

Table 2
Independent sample t-test

Variables/ Statistics	Equal variance	Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Market information	Equal variances assumed	0.185	0.668	-0.252	101	0.801	-0.034
	Equal variances not assumed			-0.257	93.286	0.798	-0.034
Students' investment behavior	Equal variances assumed	0.031	0.860	-3.126	101	0.002	-0.333
	Equal variances not assumed			-3.104	86.142	0.003	-0.333

By assuming the variance of male and female is equal. The table reveals no significant conflict in market information conflict (*p-value =0.668*); the mean difference across males and females is -0.034 (*p-value =0.798*). Thus the null hypothesis is accepted, i.e., the mean difference is insignificant. On the other hand, the table reveals a significant difference in variance in students' investment behavior (*p-value =0.860*). The mean difference between males and females is -0.333 (*p-value =0.003*). Thus, the null

hypothesis is rejected as the p-value is less than 0.05. It reveals a existence of significant difference in students' investment behavior across males and females, i.e., the mean difference is significant.

Table 2
Relationship between variables for all samples

Variables		Market information	Student's investment behavior
Market information	Pearson Correlation	1	
	Sig. (2-tailed)		
Students investment behavior	Pearson Correlation	.522**	1
	Sig. (2-tailed)	(0.001)	

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

Table 2 explains the relationship between the independent and dependent variables under the study of all samples. The independent variable is market information, and the dependent variable is students' investment behavior. Correlation analysis helps determine the relationship between the variables under the study. In this study, correlation analysis is done between the market information and students' investment behavior. The table clearly shows that the correlation between the market information and students' investment behavior is positive and significant at a 99 percent confidence level with a correlation coefficient of 0.522, meaning market information positively affects the students' investment behavior as 0.001 is less than 0.05.

Table 3
Impact of variables for all samples

Coefficients[a]	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	F	Sig.	Adjusted R^2
	B	Std. Error	Beta					
(Constant)	1.748	0.263		6.659	0.001	37.767	0.001	0.265
Market information	0.434	0.071	0.522	6.146	0.001			

[a] Dependent Variable: Student's investment behavior

Table 3 reveals the positive impact of market information on students' investment behavior among the TU BBA students in the Sorahkhutte area. The effect (0.434) is significant at a 99 percent confidence level. F and sig measure whether the model is fit or not. Since the F value is 37.767 and the sig value is 0.001, which is less than 0.01, the regression model is fit. The adjusted R^2 value from the regression analysis is 0.265, indicating that market information has the explanatory power of 26.5% variance in students' investment behavior.

6. Findings and discussion

The major findings of the study are as follows:

- There is no significant mean difference in access to market information across male and female TU BBA students in Sorukhutte area as the p-value is 0.798, i.e., more than 0.05. This result means that gender is indifferent to the market information. It is because most respondents invest as per company-related variables.
- There is significant mean difference in students' investment behavior across male and female TU BBA students in Sorukhutte area as the p-value is 0.003, which is less than 0.05. This result means that gender is different to the students' investment behavior. So, there is association between gender and students' investment behavior.
- The relationship of market information with students' investment behavior is positive and significant at a 99 percent confidence level with the correlation coefficient of 0.522. This result implies that there is an association between market information and students' investment behavior.
- The impact of market information on investment behavior is positive (0.434) and significant at 99 percent confidence level. It means that market information impacts students' investment behavior significantly as the p-value is 0.001, which is less than 0.05. Therefore, the coefficient of market information (0.434) shows that a unit increase in market information causes an increase in students' investment behavior by 0.434 unit.

The study result is consistent with Shrestha (2020) who found a positive relationship between market information and investment behavior i.e., respondents have given more importance to market information for making a stock investment decision. The result is also in line with the findings of Khelda (2011) who found that companies with high trust own usually will attract more investors than companies with new registration in the market, which implies that the information about the stock in the market has a positive relationship with the investment behavior. Likewise, the finding of study about the existence of difference in the investment behavior is observed to be contract with the findings of Rahman and Bristy (2016) who found that there were no significant differences in investment behavior across gender. The result of the study also confirms a positive and significant impact of market information on the investment behavior as per the findings of Rajesh and Daga (2019)

7. Conclusion

The study has provided essential information about the students' investment behavior in the stock market. For this purpose, various aspects of investors' behavior have been analyzed. This study focused on the effect market information on students' investment behavior in the stock market. The study concluded that most students prefer the primary market, and most of the students invest from their savings. Similarly, most investors invest in the stock market to get rich quickly and they believe that investing in the stock market makes their investment safe and secured. In conclusion this study found that most

investors use "Electronic media" information to make investment decisions. Student investors follow the suggestion from "family and friends" for making proper investment decisions. It revealed that investors invest in the stock market as per the availability of market information, i.e., earnings per share, company dividends, book value, income statement, balance sheet, and other market pieces of information. Furthermore, it was also found that students are attracted to investing in the Nepali stock market due to no opportunities in different sectors.

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