

Impact of Investment Behavior on Loss Aversion among Youth Investors

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Received: May 12, 2026

Revised & Accepted: July20, 2026

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Abstract

This study examines the impact of investment behavior on loss aversion among youth investors trading on the Nepal Stock Exchange (NEPSE). Drawing on behavioral finance theory, the research investigates how cognitive biases specifically availability bias, regret aversion, mental accounting, and herding behavior influence loss aversion in young investors. A structured questionnaire was administered to 222 youth investors, and data were analyzed using descriptive statistics, Kendall's tau correlation, and multiple linear regression. The findings reveal that the overall model is statistically significant ($F = 34.599$, $p < .001$), explaining approximately 37.8% of the variance in loss aversion (Adjusted $R^2 = .378$). Among the predictors, regret aversion ($\beta = .472$, $p < .001$) and herding behavior ($\beta = .245$, $p < .001$) emerged as significant determinants of loss aversion, while availability bias and mental accounting did not demonstrate significant effects. The study contributes to the understanding of youth investment psychology in emerging capital markets and underscores the importance of financial literacy and behavioral intervention programs.

Keywords: Loss Aversion, Regret Aversion, Herding Behavior, Availability Bias, Mental Accounting, Behavioral Finance, NEPSE, Youth Investors

Introduction

Behavioral finance has emerged as a critical discipline in understanding how psychological biases and heuristics shape investment decisions and market outcomes. Traditional financial theory, rooted in the efficient market hypothesis (Fama, 1970), assumes that investors are

rational agents who process information objectively and make decisions to maximize expected utility. However, mounting empirical evidence suggests that investors frequently deviate from rational behavior due to a range of cognitive biases and emotional influences (Kahneman & Tversky, 1979; Thaler, 1980; Shefrin & Statman, 1985).

Loss aversion the psychological tendency to prefer avoiding losses over acquiring equivalent gains represents one of the most robust and well-documented phenomena in behavioral finance (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992). Prospect theory postulates that losses are experienced approximately twice as intensely as equivalent gains, making loss aversion a powerful driver of suboptimal investment decisions (Kahneman & Tversky, 1979). Among youth investors, who represent a growing segment of equity market participants, loss aversion can particularly manifest in excessive risk aversion, premature portfolio liquidation, and reduced participation in capital markets.

Nepal's capital market, represented by the Nepal Stock Exchange (NEPSE), has witnessed significant growth in youth participation over the last decade, particularly following the expansion of digital trading platforms and increased financial inclusion initiatives (Nepal Stock Exchange, 2022). Yet, despite their growing presence, youth investors in NEPSE operate within an information-constrained and relatively illiquid market, making them potentially more susceptible to behavioral biases (Bhattarai, 2017; Shrestha, 2020).

This study aims to address a notable gap in the literature by investigating the specific behavioral antecedents of loss aversion among youth investors in NEPSE. Four behavioral constructs are examined: availability bias, regret aversion, mental accounting, and herding behavior. Each of these constructs has been theoretically and empirically linked to loss aversion in prior research (Pompian, 2006; Barberis & Thaler, 2003; Nofsinger, 2005), yet their relative contributions have seldom been studied within the Nepalese investment context.

Research Objectives

The specific objectives of this study are:

- (i) To assess the major factors related to investment behavior and loss aversion of youth investors.
- (ii) To examine the relationship between investment behavior and loss aversion among youth investors.
- (iii) To determine the impact of behavioral factors (availability bias, regret aversion, mental accounting, and herding behavior) on loss aversion.

Research Hypotheses

Based on the theoretical framework and prior empirical evidence, the following hypotheses were formulated:

- H1: Availability bias has a significant impact on loss aversion among youth investors.
H2: Regret aversion has a significant impact on loss aversion among youth investors.
H3: Mental accounting has a significant impact on loss aversion among youth investors.
H4: Herding behavior has a significant impact on loss aversion among youth investors.

Literature Review

Behavioral Finance and Loss Aversion

The theoretical foundations of behavioral finance were established by Kahneman and Tversky (1979) through the development of prospect theory, which challenged the rationality assumptions of expected utility theory. Loss aversion, a central construct of prospect theory, describes how individuals respond asymmetrically to gains and losses of equivalent magnitude, assigning greater psychological weight to losses (Tversky & Kahneman, 1992; Mishra et al., 2021). Subsequent research has consistently confirmed that loss aversion influences investor behavior across different markets and cultural contexts (Benartzi & Thaler, 1995; Barberis, Huang, & Santos, 2001).

Thaler (1980) extended the understanding of loss aversion through the concept of mental accounting, demonstrating that investors categorize and evaluate financial outcomes in separate mental accounts, often to their detriment. Shefrin and Statman (1985) connected these insights to the disposition effect investors' tendency to sell winning stocks too early and hold losing stocks too long a manifestation of loss aversion in equity markets.

In emerging markets, where institutional frameworks are less developed and information asymmetry is greater, loss aversion tends to be more pronounced (Gupta, Bhatt, & Chopra, 2021; Parajuli et al., 2023). Chandra and Kumar (2012) found that behavioral biases, including loss aversion and overconfidence, significantly influenced the investment decisions of individual investors in India. Similarly, Waweru, Mwangi, and Parkinson (2014) identified loss aversion as a primary determinant of irrational investment behavior in Kenya's Nairobi Securities Exchange.

Availability Bias

Availability bias refers to investors' tendency to judge the likelihood of events based on how readily relevant information can be recalled (Tversky & Kahneman, 1973). In investment contexts, availability bias leads investors to overweight recent market events, widely publicized news, and easily accessible data, resulting in suboptimal portfolio decisions (Pompian, 2006). Odean (1998) demonstrated that investors who rely on salient, available information tend to trade excessively and underperform market benchmarks.

In the context of NEPSE, where information dissemination is predominantly through informal networks and social media, availability bias is likely to be amplified (Shrestha, 2020). Investors may disproportionately react to trending stocks or widely shared investment tips, a pattern consistent with availability-driven decision-making (Barber & Odean, 2008; Shrestha et al., 2026).

Regret Aversion

Regret aversion describes the tendency of investors to avoid actions that may lead to feelings of regret the painful emotional experience of recognizing that a past decision was suboptimal (Bell, 1982; Loomes & Sugden, 1982). Regret aversion can manifest as excessive risk aversion, leading investors to hold diversified but underperforming portfolios to minimize the regret associated with individual stock losses (Pompian, 2006).

Empirically, Frino, Grant, and Johnstone (2008) found that fund managers exhibit regret aversion by maintaining positions in losing securities longer than rational analysis would warrant. Among retail investors, regret aversion has been shown to exacerbate loss aversion by

reinforcing the reluctance to realize losses (Zeelenberg & Pieters, 2007). The strong correlation between regret aversion and loss aversion established in this literature provides the theoretical basis for the present study's second hypothesis.

Mental Accounting

Mental accounting, conceptualized by Thaler (1980, 1985), refers to the cognitive process by which individuals segregate financial outcomes into separate mental categories or 'accounts,' each governed by different decision rules. This framework helps explain several anomalies in investor behavior, including the disposition effect, the equity premium puzzle, and excessive trading (Barberis & Thaler, 2003).

In terms of its relationship with loss aversion, mental accounting can either amplify or attenuate loss-averse behavior depending on how accounts are framed (Thaler, 1999). When investors treat stock portfolios as independent accounts, losses in one account may trigger heightened loss aversion, while gains in another may be spent frivolously. Kumar and Lim (2008) found that mental accounting is associated with suboptimal diversification among retail investors, indirectly contributing to loss sensitivity.

Herding Behavior

Herding behavior in financial markets refers to the tendency of investors to follow the collective actions of a larger group, often abandoning their own analysis in favor of market consensus (Bikhchandani & Sharma, 2001). Herding can be rational when investors infer information from others' actions or irrational, driven by social pressure and the fear of being different (Nofsinger & Sias, 1999).

Research has established a significant link between herding and loss aversion. Hwang and Salmon (2004) documented that herding intensifies during periods of market stress, precisely when loss aversion is most salient. In Asian markets, herding has been identified as a particularly strong driver of investor behavior, as collectivist cultural norms reinforce conformity in investment decisions (Chang, Cheng, & Khorana, 2000). In the Nepalese context, Bhattarai (2017) noted that herding behavior was prevalent among retail investors, particularly those with limited financial literacy.

Research Methodology

Research Design

This study adopts a quantitative, descriptive-causal research design. A cross-sectional survey approach was employed to collect primary data from youth investors in NEPSE. The quantitative paradigm was selected to enable statistical generalization and hypothesis testing, consistent with the positivist epistemological stance of this research (Creswell, 2014).

Population and Sampling

The target population consists of youth investors (individuals aged 18–35 years) who are actively trading on NEPSE. Given the absence of an exhaustive sampling frame, a convenience sampling strategy was adopted. A total of 222 valid responses were obtained and used for analysis. This sample size is consistent with the recommendations of Hair, Black, Babin, and Anderson (2010) for multivariate regression analyses, which suggest a minimum of 10–20 observations per predictor variable.

Measurement Instrument

Data were collected using a structured, self-administered questionnaire comprising two sections. The first section captured demographic and investment profile information including gender, age, educational attainment, occupation, and years of investment experience. The second section contained Likert-scale items (1 = Strongly Disagree to 5 = Strongly Agree) measuring five constructs: availability bias (AB1–AB5), loss aversion (LA1–LA5), regret aversion (RA1–RA5), mental accounting (MA1–MA5), and herding behavior (HB1–HB5). Questionnaire items were adapted from validated instruments used in prior behavioral finance research (Pompian, 2006; Waweru et al., 2014; Chandra & Kumar, 2012). The reliability of each multi-item scale was assessed using Cronbach's alpha, with acceptable reliability thresholds set at $\alpha \geq .60$ following the criterion suggested by Nunnally (1978) and Hair et al. (2010).

Data Analysis

Data were analyzed using IBM SPSS Statistics. The analytical procedure comprised three stages. First, descriptive statistics (mean and standard deviation) were computed to summarize respondent characteristics and construct scores. Second, Kendall's tau-b correlation was employed to examine the bivariate associations among the five constructs, given the ordinal nature of Likert-scale data and the non-normal distribution of responses (Field, 2018). Third, multiple linear regression was performed with loss aversion as the dependent variable and availability bias, regret aversion, mental accounting, and herding behavior as independent variables. The regression model was evaluated based on model fit (R^2 , Adjusted R^2), overall significance (F-statistic), and individual predictor coefficients (β , t, p).

Reliability Analysis

The internal consistency of the measurement scales was evaluated using Cronbach's alpha. The results are summarized in Table 1.

Table 1: Reliability Statistics of Measurement Scales

Construct	Cronbach's Alpha (α)	Number of Items
Availability Bias (AB)	.627	5
Loss Aversion (LA)	.619	5
Regret Aversion	.609	5
Mental Accounting	.662	5
Herding Behavior	.623	5

The internal consistency of the measurement scales was assessed using Cronbach's alpha. The alpha coefficients ranged from .609 to .662, indicating moderate internal consistency. Although the conventional benchmark for established scales is $\alpha \geq .70$ (Nunnally & Bernstein, 1994; Hair et al., 2010), Cronbach's alpha is influenced by several factors, including the number of items, item intercorrelations, and construct complexity (Cortina, 1993; Taber, 2018). Because the questionnaire items were adapted from previous studies and represented multifaceted behavioral finance constructs, the scales were retained for further analysis. Nevertheless, the relatively low reliability coefficients should be considered when interpreting the findings.

Results

Demographic Profile of Respondents

Table 2 presents the demographic characteristics of the 222 respondents.

Variable	Category	Frequency	Percent (%)	Valid %	Cumulative %
Gender	Male	130	58.6	58.6	58.6
	Female	92	41.4	41.4	100.0
	Total	222	100.0	100.0	
Age	Below 20	12	5.4	5.4	5.4
	20–25	148	66.7	66.7	72.1
	26–30	45	20.3	20.3	92.3
	Above 30	17	7.7	7.7	100.0
	Total	222	100.0	100.0	
Education	+2	28	12.6	12.6	12.6
	Bachelor	117	52.7	52.7	65.3
	Masters	74	33.3	33.3	98.6
	Above Masters	3	1.4	1.4	100.0
	Total	222	100.0	100.0	
Occupation	Students	138	62.2	62.2	62.2
	Employee	63	28.4	28.4	90.5
	Self-Employed	12	5.4	5.4	95.9
	Other	9	4.1	4.1	100.0
	Total	222	100.0	100.0	
Experience	Less than 1 Year	77	34.7	34.7	34.7
	1–3 Years	66	29.7	29.7	64.4
	3–5 Years	49	22.1	22.1	86.5
	More than 5 Years	30	13.5	13.5	100.0
	Total	222	100.0	100.0	

The sample is predominantly male (58.6%), with female respondents constituting 41.4%. The age distribution reveals that the majority of respondents (66.7%) fall within the 20–25 year age bracket, consistent with the study's focus on youth investors. A further 20.3% are aged 26–30. In terms of educational attainment, more than half of respondents hold a bachelor's degree (52.7%), followed by master's degree holders (33.3%), reflecting the relatively educated nature of the NEPSE investor base. Students constitute the largest occupational category (62.2%), followed by employees (28.4%). Regarding investment experience, 34.7% have less than one year of experience, while 29.7% have 1–3 years, indicating that a substantial proportion of the sample are relatively new investors.

Descriptive Statistics of Constructs

Table 3 presents the item-level and construct-level descriptive statistics for all five study variables.

Table 3: Descriptive Statistics — Availability Bias Items (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
AB1: I invest in stocks based on easily available information.	222	1.00	5.00	4.5405	.98204
AB2: I rely on recent market news for my investment decisions.	222	1.00	5.00	4.3919	1.13142
AB3: I tend to invest in stocks that are frequently discussed.	222	1.00	5.00	3.9234	1.42964
AB4: I base decisions on information from social media.	222	1.00	5.00	3.4144	1.52190
AB5: Recent performance influences my stock selection.	222	1.00	5.00	3.8288	1.53319

Table 4: Descriptive Statistics — Loss Aversion Items (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
LA1: I prefer avoiding losses to acquiring equivalent gains.	222	1.00	5.00	3.9234	1.46713
LA2: Potential losses influence my decisions more than gains.	222	.00	5.00	4.0901	1.40168
LA3: I hold losing stocks hoping to recover losses.	222	1.00	5.00	2.9234	1.67453
LA4: Fear of loss prevents me from making investment decisions.	222	1.00	5.00	3.9955	1.46913
LA5: I sell winning stocks quickly to secure gains.	222	1.00	5.00	3.8153	1.54192

Table 5: Descriptive Statistics — Regret Aversion Items (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
RA1: I avoid decisions I might later regret.	222	1.00	5.00	3.1306	1.71922
RA2: Fear of regret influences my stock selling decisions.	222	1.00	5.00	3.6261	1.48289
RA3: I compare my performance to what I could have earned.	222	1.00	5.00	3.9144	1.50320
RA4: Regret from past losses affects current investment behavior.	222	1.00	5.00	3.2928	1.66677
RA5: I follow peers to avoid regret from independent decisions.	222	1.00	5.00	4.1126	1.34901

Table 6: Descriptive Statistics — Mental Accounting Items (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
MA1: I manage separate mental accounts for different investments.	222	1.00	5.00	4.2297	1.27858
MA2: I treat stock market money differently from other money.	222	1.00	5.00	3.2117	1.68444
MA3: Losses in one portfolio do not affect decisions in another.	222	1.00	5.00	3.7883	1.55014
MA4: I set different risk thresholds for different accounts.	222	1.00	5.00	3.8919	1.45117
MA5: I avoid mixing investment funds for different goals.	222	1.00	5.00	3.7027	1.47433

Table 7: Descriptive Statistics — Herding Behavior Items (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
HB1: I buy stocks that others in my social circle are buying.	222	1.00	5.00	3.6441	1.51148
HB2: I follow the investment advice of stock market experts.	222	1.00	5.00	2.6261	1.56021
HB3: Rising market trends influence my investment decisions.	222	1.00	5.00	3.5270	1.64129
HB4: I invest in popular stocks regardless of their fundamentals.	222	1.00	5.00	3.5856	1.44566
HB5: Market sentiment guides my timing of stock purchases.	222	1.00	5.00	4.2477	1.20214

Table 8: Construct-Level Summary Descriptive Statistics (N = 222)

Variable	N	Min	Max	Mean	Std. Dev.
Loss Aversion (LA)	222	1.00	5.00	3.7495	.95281
Regret Aversion (RA)	222	1.00	5.00	3.6153	.96787
Mental Accounting (MA)	222	1.00	5.00	3.7649	.91978
Herding Behavior (HB)	222	1.00	5.00	3.5261	.99716
Availability Bias (AB)	222	1.00	5.00	4.0198	.80987

The construct-level analysis reveals that availability bias records the highest mean score ($M = 4.02$, $SD = .81$), indicating that youth investors in NEPSE heavily rely on easily accessible information when making investment decisions. Loss aversion ($M = 3.75$, $SD = .95$) and mental accounting ($M = 3.76$, $SD = .92$) are also rated relatively highly, while herding behavior ($M = 3.53$, $SD = 1.00$) registers the lowest mean, though still above the scale midpoint of 3.0. These findings suggest that all five behavioral constructs are meaningfully present in the investment decision-making of NEPSE youth investors.

Correlation Analysis

To examine the bivariate relationships among the study constructs, Kendall's tau-b correlation coefficients were computed. The results are presented in Table 9.

Table 9: Kendall's Tau-b Correlation Matrix (N = 222)

Variable	LA	RA	MA	HB	AB
Loss Aversion (LA)	1.000	.453**	.089	.339**	.156**
Regret Aversion (RA)		1.000	.153**	.341**	.242**
Mental Accounting (MA)			1.000	.140**	.156**
Herding Behaviour (HB)				1.000	.226**
Availability Bias (AB)					1.000

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

The correlation analysis reveals several notable patterns. Loss aversion exhibits a moderate positive correlation with regret aversion ($\tau = .453$, $p < .001$) and a moderate positive correlation with herding behavior ($\tau = .339$, $p < .001$), both significant at the 1% level. The correlation between loss aversion and availability bias is weaker but statistically significant ($\tau = .156$, $p = .002$). Notably, the relationship between loss aversion and mental accounting ($\tau = .089$, $p = .079$) is not statistically significant, suggesting that mental accounting may not independently predict loss aversion when other behavioral factors are accounted for. Regret aversion also demonstrates significant positive correlations with herding behavior ($\tau = .341$, $p < .001$) and availability bias ($\tau = .242$, $p < .001$). Mental accounting shows weak but significant correlations with herding behavior ($\tau = .140$, $p = .005$) and availability bias ($\tau = .156$, $p = .002$). These results provide preliminary evidence in support of hypotheses H2 and H4, while casting doubt on H1 and H3.

Multiple Regression Analysis

Multiple linear regression was conducted to assess the simultaneous impact of availability bias, regret aversion, mental accounting, and herding behavior on loss aversion. The results are reported in Tables 10 through 12.

Model Summary

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.624	.389	.378	.75136

The model summary indicates that the four behavioral predictors collectively explain 38.9% of the variance in loss aversion ($R^2 = .389$), with an adjusted R^2 of .378 accounting for the number of predictors. The R value of .624 suggests a moderately strong relationship between the combined predictors and loss aversion. These values are comparable to similar regression models in the behavioral finance literature examining individual investor biases (Waweru et al., 2014; Chandra & Kumar, 2012).

ANOVA

Table 11: ANOVA — Overall Model Significance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	78.130	4	19.533	34.599	.000
Residual	122.505	217	.565		
Total	200.635	221			

Note: Dependent Variable: Loss Aversion. Predictors: Availability Bias, Regret Aversion, Mental Accounting, Herding Behaviour.

The ANOVA results confirm that the overall regression model is statistically significant ($F(4, 217) = 34.599, p < .001$). The regression sum of squares (78.130) substantially exceeds the residual sum of squares proportionally, providing strong evidence that the behavioral predictors as a group explain a meaningful and significant portion of the variance in loss aversion. This result justifies proceeding to interpretation of individual predictor coefficients.

Regression Coefficients

Table 12: Regression Coefficients — Predictors of Loss Aversion

Variable	B	Std. Error	Beta (β)	t	Sig.	Decision
(Constant)	1.261	.327	—	3.859	.000	—
Availability Bias	.055	.068	.047	.812	.417	Rejected
Regret Aversion	.465	.059	.472	7.917	.000	Accepted
Mental Accounting	-.063	.056	-.061	-1.114	.266	Rejected
Herding Behaviour	.234	.057	.245	4.094	.000	Accepted

Note: Dependent Variable: Loss Aversion.

The regression coefficients presented in Table 12 provide detailed insights into the relative contributions of each predictor. The constant ($B = 1.261, t = 3.859, p < .001$) represents the baseline level of loss aversion when all predictors are at zero. Among the four predictors, regret aversion emerges as the strongest and most significant predictor of loss aversion ($B = .465, \beta = .472, t = 7.917, p < .001$), indicating that for every one-unit increase in regret aversion, loss aversion increases by approximately .465 units, holding other variables constant. This result strongly supports H2.

Herding behavior is the second significant predictor ($B = .234, \beta = .245, t = 4.094, p < .001$), indicating that conformist investment behavior meaningfully intensifies loss-averse tendencies. This finding supports H4 and is consistent with the theoretical argument that investors who follow the herd are more sensitive to market downturns because they lack independent analytical frameworks to contextualize losses (Bikhchandani & Sharma, 2001; Hwang & Salmon, 2004).

In contrast, availability bias ($B = .055, \beta = .047, t = .812, p = .417$) and mental accounting ($B = -.063, \beta = -.061, t = -1.114, p = .266$) do not achieve statistical significance. These results lead to rejection of H1 and H3. The non-significance of availability bias is somewhat unexpected given its significant bivariate correlation with loss aversion; however, this may reflect multicollinearity-driven suppression when regret aversion and herding behavior which are theoretically and empirically related to availability bias are simultaneously included in the model. The near-zero, negative coefficient for mental accounting suggests that this construct operates through different pathways from loss aversion in the NEPSE context, consistent with the work of Thaler (1999), who noted that the relationship between mental accounting and loss aversion depends heavily on account framing.

Discussion

The findings of this study offer several theoretically grounded and practically relevant insights into the behavioral determinants of loss aversion among youth investors in NEPSE. The significant explanatory power of the regression model (Adjusted $R^2 = .378$) demonstrates that behavioral biases collectively account for a substantial portion of loss-averse investment behavior, reinforcing the centrality of behavioral finance in understanding emerging market investor psychology.

The dominant role of regret aversion ($\beta = .472$) in predicting loss aversion is particularly noteworthy. This finding aligns with the theoretical integration of regret aversion and loss aversion in the literature (Bell, 1982; Zeelenberg & Pieters, 2007), suggesting that youth investors' fear of making regrettable decisions amplifies their sensitivity to potential losses. In practical terms, this implies that interventions targeting regret management—such as investment journaling, post-decision review frameworks, and structured reflection exercises—may reduce loss aversion and improve investment outcomes.

The significant contribution of herding behavior ($\beta = .245$) corroborates the findings of Chang et al. (2000) and Bhattarai (2017) in demonstrating that conformist investor behavior in collectivist cultural contexts intensifies loss sensitivity. Youth investors who follow market trends and peer decisions may experience amplified emotional responses to collective market downturns, contributing to panic selling and suboptimal exit timing. These findings underscore the importance of cultivating independent analytical skills and critical evaluation of market information among young investors.

The non-significant effects of availability bias and mental accounting, despite their theoretical plausibility, suggest that the predictive landscape of loss aversion in Nepal may differ from patterns observed in more mature capital markets. Availability bias may operate as a moderator or mediator of loss aversion rather than a direct predictor in this context. The insignificant role of mental accounting may reflect the relatively limited portfolio diversification of youth investors in NEPSE, who may not yet engage in the sophisticated multi-account management that mental accounting theory describes.

Conclusion and Recommendations

This study investigated the impact of investment behavior on loss aversion among 222 youth investors in NEPSE using descriptive statistics, correlation analysis, and multiple linear regression. The findings demonstrate that behavioral factors collectively explain approximately 37.8% of the variance in loss aversion, with regret aversion and herding behavior emerging as statistically significant predictors. Availability bias and mental accounting did not demonstrate significant direct effects on loss aversion in this context.

These results have important implications for financial education policy, investment advisory practice, and capital market development in Nepal. First, financial literacy programs targeting youth investors should explicitly address regret management and herd mentality, providing practical tools for independent decision-making. Second, NEPSE and financial regulatory bodies such as the Securities Board of Nepal (SEBON) may consider developing investor education campaigns that emphasize long-term investment horizons and evidence-based portfolio management strategies. Third, brokerage firms and investment advisors working with

youth clients should incorporate behavioral profiling to identify clients who are particularly vulnerable to regret-driven and herd-driven loss aversion.

Future research should employ longitudinal designs to track changes in behavioral biases over time and across market cycles. Moderation analysis examining how financial literacy, gender, and investment experience interact with behavioral biases to influence loss aversion would further enrich the current understanding. Additionally, qualitative approaches such as in-depth interviews with youth investors could provide richer contextual insights into the mechanisms through which regret aversion and herding behavior shape loss-averse decisions in the Nepalese investment landscape.

Funding

No grant.

Data availability

All data will be provided with a reasonable request to the corresponding author.

Declarations

Ethics approval and consent to participate

Not applicable.

Consent for publication

Not applicable.

Competing interests

The authors declare no competing interests.

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