Role of Accounting Information in Making Share Investment Decisions: *A Survey of Investors in Nepalese Stock Market*

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**Abstract**  
The paper surveys the opinion of investors in the Nepalese stock market to assess their views on the role of accounting information for making share investment decisions. During NEPSE trading hours, a survey was conducted among investors at the broker’s office. The study reveals that Nepalese investors use accounting information to increase their capabilities and skills in the investment decision-making process and to predict the trend of the listed companies’ performance. The investors have given topmost priorities to ‘share capital’, ‘net profit after tax’, and ‘cash flow from investing activities’ under balance sheet, income statement, and cash flow statement, respectively. Furthermore, the study shows that investors attach great importance to financial indicators related to share prices, namely earnings per share (EPS) and dividend per share (DPS). Therefore, publicly traded companies should monitor and publish a list of the main financial indicators that investors pay attention to improve the credibility of their performance.

**Keywords**  
Accounting information, investors, investment decision, NEPSE, stock market

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1. Introduction and Study Objectives

Fama (1970, 1976) defined three types of Efficient Market Hypothesis namely, the weak, semi-strong, and strong forms of the hypothesis, each of which is based on a different notion of exactly what type of information is understood to be relevant in the phrase ‘all prices fully reflect all relevant information.’ These versions differ by their notions of what is meant by the term ‘all available information’.

For an investor, a piece of the initial information that helps to make an investment decision is publicly available information. Hence, the published accounting information is first-hand information that an investor can use to make his/her investment decision. The governing body of every nation directs the listed companies to publish their financial reports at different periods, namely: quarterly, or yearly.

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In a current digitalized world, access to accounting information of the listed companies has become easier and faster. Nevertheless, the accounting information is easily accessible, the quality of the information and reporting should be maintained by the publisher of the financial report. Poor information quality might bring out adverse effects on an investment decision of an investor (Huang et al., 1999). Lawrence (2013) found that individual investors invest more in companies with clear and succinct financial accounting information. Bushman and Smith (2001) observed that high-quality information revelation was beneficial to investors by monitoring the management team, urging them to make investment decisions efficiently and effectively, and generating higher returns to investors. Similarly, Houcine (2017) argued that Tunisian investors were worried about the quality of accounting information because it assisted them with better comprehending the company’s operating circumstances and other fundamentals.

Baker and Haslem (1973), in the context of individual investors at the New York Stock Exchange, showed that they needed and looked for more accounting information than the professional analysts before going for an investment decision. Similarly, in the context of the Nigerian Stock Exchange, Osundina et al. (2016) indicated that accounting information had been one of the main causes of stock price volatility. The authors further added that proper regulation from the regulatory bodies on the flow of accounting information to increase or decrease the share price should be supervised properly. In the context of Nepal also, the listed companies at Nepal Stock Exchange Limited (NEPSE) must publish their financial report (accounting disclosure) on a quarterly as well as yearly basis. Securities Listing and Trading Rules, 2018 had made a compulsion to the listed companies to publish the financial report timely to make investors aware.

In the case of Qatar, Alattar and Al-Khater (2007) found an annual report as the most important source of information for investors while going for investment decisions. The study was based on a survey among 150 respondents representing individual investors, institutional investors, financial analysts, bank credit officers, and government officers. Some studies conducted in the context of Nepal had also established the significance of accounting information while making investment decisions by investors in the Nepalese stock market. For instance, Joshi (2018) observed that accounting information has an important role in an investment decision among Nepalese investors alongside factors like advocate recommendation, personal financial needs, and firm’s image. Similarly, Pandey et al. (2020) likewise demonstrated that accounting information fundamentally affected the psychology of Nepalese investors while making investment decisions. Based on these observed backgrounds, this study attempts to find out the purposes that published accounting information serves for Nepalese investors and the magnitude of importance that Nepalese investors give for various accounting information published by the NEPSE.
listed companies. The paper further goes ahead to find out among the chunk of accounting information published by listed companies from thirteen different sectors of companies, which accounting information is their major concern while going for an investment decision.

2. Literature Review

Naimah (2012) found that accounting earnings and a book value of equity were useful to explain stock price changes and were positively associated with movement in the stock price. The results from the Jakarta Stock Exchange daily and monthly share prices of the listed manufacturing companies also had shown that the earnings response coefficients were smaller in the firms that have both conservative accounting and liberal accounting.

In context to Iran, Bazrafshan et al. (2013) concluded that the Iranian traders at the Tehran Stock Exchange were more concerned with the profitability indicators of the listed companies and were also more concerned with international financial and political issues rather than the financial statements of the listed companies.

Huain (2015) in context to opinions from investors of Bucharest Stock Exchange, found that at the parent company level, the information about financial asset was worth more significant than about financial liability, and at the host companies or group level, investors relied mostly on information about the financial asset, disregarding financial liability.

Farj et al. (2016) investigated among the Libyan investors regarding the importance of accounting information elaborated in annual reports published by the listed companies of the Libyan Stock Market. They reasoned that the investors relied for the most part upon the information or, advice of the brokers instead of going details through the accounting information while settling on their investment decision. They stated that the tendency might be due to inadequate quality and quantity of information forwarded in the financial statements.

Obaidat (2016) found that every accounting was important for an investor while making an investment decision who were investing at the Amman Stock Exchange. He found that investors used each accounting information complementary to each other. He demonstrated that the value relevance of earning information was superior to the value relevance of cash flow information. The study also documented that investors had the time and capabilities to assess and evaluate the value relevance of accounting information.

The accounting standard followed by the listed companies has also an influence on how to interpret the accounting information gathered from the listed companies. Khoufi (2020) surveyed among Tunisian investors, had pointed out that quality accounting information reduced information asymmetry in the stock market. The study found that the major concern was a practice of weak conservative
accounting among the listed companies which brought out the problem of asymmetry of information presented between the firm and its capital providers. Hence, a piece of quality accounting information is seen as an integral part for investors of the developed or developing nations while going for an investment decision. The main concern to a capital provider was the quality and quantity of accounting information mainly related to the earning information of the listed companies. The studies in context to Nepalese investors also show an important role of accounting information in the investment decision process. Nevertheless, the paper tries to address which are the major accounting information that is the major concern for the Nepalese investors.

3. Research Methods

This study has adopted a descriptive research design to get the opinion of Nepalese investors on the importance of accounting information of the listed companies while making a share investment decision. The study has adopted the descriptive research design for searching adequate information to assess the opinions of the Nepalese investors regarding the role of accounting information in their share investment decision.

The paper considered all the Nepalese investors as a population and only 150 investors were considered as a sample for the study following a convenience sampling method. The physical presence of investors on the trading floor was very thin due to the COVID-19 pandemic. Therefore, the study relied only on a sample of 150 respondents. The low response rate from the online survey made a compulsion to go for the field survey with the limited number of respondents.

The field survey was conducted during the trading hours of NEPSE. A printed questionnaire was distributed among the investors who were available on the trading floor of the stock brokerage offices at Kathmandu.

The questionnaire was divided into six parts. First, the basic information of the respondents was taken, followed by an opinion on the purpose of accounting information to an investor, measuring with the help of a 5-points Likert scale. The remaining sections were covered with the items of financial statements with the five-points Likert scale score asking for the opinion of respondents on the importance of various items in financial statements to them. The questionnaire format was based on the paper of Farj et al. (2016) which helped to fulfil the criterion-related validity. Although the items that were included in a questionnaire were finalized relevant to the Nepalese context, after consultation with financial management experts as well as Chartered Accountants to maintain the validity of the questionnaire.

After a pilot study among the 50 investors, a reliability test was conducted using Cronbach’s Alpha. The reliability test was also done by segregating the items of the questionnaire. The reliability of opinions on the purpose of accounting
information and the remaining were separately tested. The results of Cronbach Alpha made the two items dropped from the questionnaire. The item ‘Accounting information assists investors to predict the price of securities’ (α=0.750) was dropped from the section of ‘purpose of accounting information’ and the ‘Net interest income’ (α=0.960) was dropped from the books of accounts items of the questionnaire.

4. Data Analysis and Discussion

Respondents’ Profile

This study was based on the primary data. Hence, a survey among the Nepalese investors was conducted to record their opinion on the role of accounting information in an investment decision-making process. This section presents the profile of respondents based on sex, age group, education level, and investment experience in Table 1 through Table 4.

Table 1
Sex of the Respondents

| Sex    | Frequency | Percent | Cumulative Frequency |
|--------|-----------|---------|----------------------|
| Female | 22        | 14.7    | 14.7                 |
| Male   | 128       | 85.3    | 100.00               |
| Total  | 150       | 100.0   |                      |

Note. From Field Survey, 2020-21

Of the total respondents, 85.3 percent of the respondents were male respondents, and the remaining were seen as female respondents.

Table 2
Age Group of the Respondents

| Age Group | Frequency | Percent | Cumulative Frequency |
|-----------|-----------|---------|----------------------|
| 16-20     | 4         | 2.7     | 2.7                  |
| 20-30     | 57        | 38.0    | 40.7                 |
| 30-40     | 48        | 32.0    | 72.7                 |
| 40-50     | 25        | 16.7    | 89.3                 |
| 50 and above | 16        | 10.7    | 100.0                |
| Total     | 150       | 100.0   |                      |

Note. From Field Survey, 2020-21

Table 2 shows the highest number of respondents was covered by the age group of 20-30 years (38.0 percent) followed by the respondents from the age group of 30-40 years (32.0 percent). The least number of respondents was seen from the age group of 16-20 years (2.7 percent).
Table 3
Education Level of the Respondents

| Education Level | Frequency | Percent | Cumulative Percent |
|-----------------|-----------|---------|--------------------|
| Schooling       | 16        | 10.7    | 10.7               |
| Bachelor        | 77        | 51.3    | 62.0               |
| Master          | 57        | 38.0    | 100.0              |
| **Total**       | **150**   | **100.0**|                    |

*Note. From Field Survey, 2020-21*

Table 3 shows the classification of the respondents based on their education level. Of the total of 150 respondents, 51.3 percent were seen with a bachelor’s degree, followed by a master’s degree covering 38.0 percent.

Table 4
Investment Experience

| Investment Experience | Frequency | Percent | Cumulative Percent |
|-----------------------|-----------|---------|--------------------|
| Less than 1 year      | 14        | 9.3     | 9.3                |
| 1 to 5                | 79        | 52.7    | 62.0               |
| 5 to 10               | 34        | 22.7    | 84.7               |
| 10 to 15              | 19        | 12.7    | 97.3               |
| 15 years and above    | 4         | 2.7     | 100.0              |
| **Total**             | **150**   | **100.0**|                    |

*Note. From Field Survey, 2020-21*

Table 4 shows the classification of the total respondents based on their investment experience at the stock market. Of the total respondents, 52.7 percent have stated an investment experience of one to five years. The least number of respondents were seen with an experience of 15 years and above covering 2.7 percent of the total respondents.

**Opinions on Purpose of Using Accounting Information by an Investor**

Table 5 shows descriptive statistics associated with opinion of respondents on the purpose the accounting information serves for Nepalese investors. The opinion was recorded on 5-points Likert scale, where the score ‘1’ reflects ‘least important’ and the score ‘5’ reflects ‘most important’.

As indicated by respondents, the most important purpose that accounting information serves for Nepalese investors was ‘to increase capabilities and skill in the investment decision-making process’ with a mean score of 4.05 points, followed by ‘to evaluate the company’s performance before investing in its shares’ with a mean score of 3.93 points.
Table 5
Purpose of Accounting Information

| Items                                                                 | Mean* | Std. Deviation | Skewness | Std. Error | Kurtosis | Std. Error |
|-----------------------------------------------------------------------|-------|----------------|----------|------------|----------|------------|
| Accounting information increases the capabilities and skills of decision makers. | 4.05  | 1.10           | -1.19    | 0.20       | +0.85    | 0.39       |
| Accounting information helps investors to evaluate the company’s performance before investing in its shares. | 3.93  | 1.06           | -0.74    | 0.20       | -0.14    | 0.39       |
| Accounting information is useful for planning for a company’s future investment. | 3.89  | 1.20           | -0.78    | 0.20       | -0.56    | 0.39       |
| Investors in the stock market depend on accounting information as an important source of information to assist them in their investment decisions. | 3.85  | 1.15           | -0.76    | 0.20       | -0.21    | 0.39       |
| Accounting information helps investors to monitor their investment decisions. | 3.60  | 1.09           | -0.34    | 0.20       | -0.50    | 0.39       |
| Using accounting information reduces the expected risk of investment. | 3.59  | 1.06           | -0.42    | 0.20       | -0.18    | 0.39       |
| Accounting information helps investors to assess the liquidity of the companies. | 3.59  | 1.11           | -0.22    | 0.20       | -0.64    | 0.39       |
| Accounting information assists investors to predict the current and future profitability of firms. | 3.50  | 1.16           | -0.38    | 0.20       | -0.60    | 0.39       |
| Accounting information helps investors to predict future dividends. | 3.47  | 1.18           | -0.45    | 0.20       | -0.67    | 0.39       |
| Increase or decrease in stock prices can be due to change in accounting information. | 3.09  | 1.26           | -0.14    | 0.20       | -0.97    | 0.39       |

Note. From Field Survey, 2020-21

*The value is in descending order.

The respondents opined that it is not much concerned about ‘an increase or decrease in stock prices due to a change in accounting information’ since this item scored the lowest mean score of 3.09 points.

The measure of dispersion shows that all the items were seen negatively skewed, while only the opinion. ‘Accounting information increases the capabilities and skills of decision-makers.’ was only seen with the positive kurtosis value. This reflects that available accounting information to Nepalese investors helped in improving their capabilities and skills of the decision-making process, while there is no other relevance or importance to them. Under the negatively skewed
distribution, the mean is usually less than the median even lesser than mode because the few low scores tend to shift the mean to the left. Hence, the value of skewness is seen as all negative.

Table 6
Opinion on Importance of Balance Sheet Items

| Items                                    | Mean* | Std. Deviation | Skewness | Std. Error | Kurtosis | Std. Error |
|------------------------------------------|-------|----------------|----------|------------|----------|------------|
| Share Capital                            | 3.88  | 1.11           | -0.74    | 0.20       | -0.35    | 0.39       |
| Share Premium                            | 3.69  | 1.24           | -0.65    | 0.20       | -0.61    | 0.39       |
| Total of shareholders’ equity            | 3.67  | 1.19           | -0.53    | 0.20       | -0.63    | 0.39       |
| Retained Earnings                        | 3.66  | 1.29           | -0.66    | 0.20       | -0.66    | 0.39       |
| Reserves                                 | 3.57  | 1.31           | -0.52    | 0.20       | -0.89    | 0.39       |
| Investments                              | 3.53  | 1.24           | -0.49    | 0.20       | -0.73    | 0.39       |
| Cash and Cash Equivalent                 | 3.37  | 1.24           | -0.34    | 0.20       | -0.81    | 0.39       |
| Balance with Banks and Financial Institutions | 3.31  | 1.21           | -0.31    | 0.20       | -0.70    | 0.39       |
| Loan and Advance                         | 3.25  | 1.26           | -0.21    | 0.20       | -0.84    | 0.39       |
| Due to Banks and Financial Institutions  | 3.22  | 1.26           | -0.08    | 0.20       | -0.98    | 0.39       |
| Total Deposits                           | 3.19  | 1.22           | -0.04    | 0.20       | -0.95    | 0.39       |
| Property and Equipment                   | 3.13  | 1.27           | +0.10    | 0.20       | -1.04    | 0.39       |
| Goodwill and Intangible Assets           | 3.09  | 1.23           | -0.06    | 0.20       | -0.86    | 0.39       |
| Due to Central Bank                      | 3.06  | 1.25           | -0.12    | 0.20       | -0.90    | 0.39       |
| Balance with Central Bank                | 3.02  | 1.18           | -0.16    | 0.20       | -0.73    | 0.39       |
| Capital Work-in-progress                 | 2.95  | 1.24           | -0.02    | 0.20       | -0.93    | 0.39       |
| Income Tax Liabilities                   | 2.95  | 1.11           | -0.11    | 0.20       | -0.56    | 0.39       |
| Other Assets                             | 2.93  | 1.25           | +0.15    | 0.20       | -0.88    | 0.39       |
| Held to Maturity Financial Assets        | 2.91  | 1.06           | -0.20    | 0.20       | -0.59    | 0.39       |
| Advance, Deposits and Other Receivables  | 2.91  | 1.19           | +0.18    | 0.20       | -0.83    | 0.39       |
| Trade and Other Payables                 | 2.91  | 1.14           | +0.16    | 0.20       | -0.69    | 0.39       |
| Debt Securities                          | 2.85  | 1.10           | +0.12    | 0.20       | -0.50    | 0.39       |
| Other Liabilities                        | 2.84  | 1.11           | +0.17    | 0.20       | -0.26    | 0.39       |
| Inventory                                | 2.84  | 1.23           | +0.20    | 0.20       | -0.76    | 0.39       |
| Derivative Financial Instruments (Liabilities) | 2.83  | 1.18           | +0.06    | 0.20       | -0.73    | 0.39       |
| Derivative Financial Instruments (Assets) | 2.82  | 1.18           | +0.18    | 0.20       | -0.83    | 0.39       |
| Reinsurance and Insurance Receivable     | 2.77  | 1.14           | +0.10    | 0.20       | -0.63    | 0.39       |
| Subordinated Liabilities                 | 2.77  | 1.14           | +0.12    | 0.20       | -0.66    | 0.39       |
| Other Trading Assets                     | 2.76  | 1.19           | +0.18    | 0.20       | -0.87    | 0.39       |
| Deferred Tax Assets                      | 2.75  | 1.24           | +0.22    | 0.20       | -0.84    | 0.39       |
| Gross Insurance Contract Liability       | 2.69  | 1.24           | +0.32    | 0.20       | -0.73    | 0.39       |
| Prepayments                              | 2.67  | 1.17           | +0.26    | 0.20       | -0.58    | 0.39       |
| Reinsurance Premium Payable              | 2.67  | 1.08           | +0.35    | 0.20       | -0.14    | 0.39       |
| Trade Receivables                        | 2.64  | 1.16           | +0.29    | 0.20       | -0.55    | 0.39       |
| Overall Average                          | 3.06  |                |          |            |          |            |

Note. From Field Survey, 2020-21

*The value is in descending order.
Opinion on Importance of Company’s Financial Statement to Investor’s Decision

This section deals with the opinions of investors on the importance of major financial statements published by the listed companies. The opinion was recorded separately for major financial statements of the listed companies such as balance sheet, income statement, and cash flow statement including the opinion on the significance of different financial indicators. The opinion was again measured on the 5-points Likert scale, where the score ‘1’ reflects ‘least important’ and the score ‘5’ reflects ‘most important’.

Table 6 shows that the major concern of the investors to balance sheet items was on ‘Share Capital’ of the company with the highest mean score of 3.88 points, followed by ‘Share Premium’ with the mean score of 3.69 points. Similarly, ‘Total Shareholder’s Equity’, ‘Retained Earnings’, ‘Reserves’ and ‘Investments’ were also seen as the top priorities for the Nepalese investors.

Among the balance sheet items, respondents indicated that they give the least importance to the ‘Trade Receivables’ with a score of 2.64 points. The item is also a concern to an investor who has a portfolio of shares of the hydropower sectors, manufacturing and processing sectors who deals in sales of goods and services. While the banks and financial institutions have an only concern with account receivables not on trade receivables. Hence, investors have not shown high importance to the trade receivables.

Table 7
Opinion on Importance of Income Statement Items

| Items                        | Mean  | Std. Deviation | Skewness | Std. Error | Kurtosis | Std. Error |
|------------------------------|-------|----------------|----------|------------|----------|------------|
| Net Profit after Tax         | 4.00  | 1.12           | -0.81    | 0.20       | -0.45    | 0.39       |
| Operating Profit             | 3.85  | 1.08           | -0.70    | 0.20       | -0.29    | 0.39       |
| Net Premium Earned           | 3.56  | 1.18           | -0.28    | 0.20       | -0.92    | 0.39       |
| Total Revenue                | 3.54  | 1.20           | -0.44    | 0.20       | -0.76    | 0.39       |
| Total Operating Income       | 3.50  | 1.25           | -0.37    | 0.20       | -0.89    | 0.39       |
| Operating Expenses           | 3.48  | 1.19           | -0.42    | 0.20       | -0.63    | 0.39       |
| Revenue from Sales           | 3.23  | 1.18           | +0.10    | 0.20       | -0.95    | 0.39       |
| Net Fee and Commission Income| 3.18  | 1.18           | -0.13    | 0.20       | -0.82    | 0.39       |
| Total Claim Payment          | 3.17  | 1.10           | +0.27    | 0.20       | -0.79    | 0.39       |
| Administrative Expenses      | 3.05  | 1.10           | +0.16    | 0.20       | -0.71    | 0.39       |
| Cost of Materials Consumed   | 2.91  | 1.17           | +0.29    | 0.20       | -0.65    | 0.39       |
| Depreciation                 | 2.89  | 1.11           | +0.24    | 0.20       | -0.88    | 0.39       |
| Employees Benefit Expenses   | 2.79  | 1.04           | +0.26    | 0.20       | -0.60    | 0.39       |
| Overall Average              | 3.32  |                |          |            |          |            |

*The value is in descending order.

Note. From Field Survey, 2020-21
The kurtosis for all the items is seen as negative, which indicates the distribution of the data has lighter tails than the normal distribution. Similarly, 17 out of 34 items i.e., 50 percent of the items were seen negatively skewed and the remaining were seen positively skewed. The skewness results show that of the total items, 50 percent were given higher importance by investors while the remaining 50 percent items with a lesser importance.

Table 7 reflects the respondents’ opinion on the importance of several items in the income statement as perceived by them. Respondents think that the amount of ‘Net Profit after Tax’ with a mean score of 4.00 is the most important variable in the income statement for them followed by ‘Operating Profit’ with a mean score of 3.85 points.

The items, ‘Net Premium' Earned’ and ‘Total Revenue’ were also the top priorities from the viewpoint of the investors, while ‘Employee Benefit Expenses’ with a mean score of 2.79 received the least priority.

The kurtosis for all the items is seen as negative, which indicates the distribution of the data has lighter tails than the normal distribution. Similarly, 7 out of 13 items were seen negatively skewed and the remaining were seen positively skewed. This shows there is a higher mean value for most items related to the income statements showing higher importance to investors.

| Items                                | Mean* | Std. Deviation | Skewness | Std. Error | Kurtosis | Std. Error |
|--------------------------------------|-------|----------------|----------|------------|----------|------------|
| Cash Flow from Investing Activities   | 3.73  | 1.20           | -0.57    | 0.20       | -0.59    | 0.39       |
| Cash Flow from Financing Activities   | 3.64  | 1.18           | -0.47    | 0.20       | -0.63    | 0.39       |
| Cash Flow from Operating Activities   | 3.37  | 1.20           | -0.26    | 0.20       | -0.63    | 0.39       |
| Overall Average                      | 3.58  |                |          |            |          |            |

Note. From Field Survey, 2020-21
*The value is in descending order.

Table 8 reports respondents’ opinions on the importance of several items in the cash flow statement. As the result indicates, investors are more concerned about the ‘Cash Flow from Investing Activities’ with an average score of 3.73 points. This result shows that the investors are more concerned about where the companies have injected their cash for investment purposes. The measure of dispersion shows that all the items of the cash flow statement are seen as negatively skewed as well as with the negative kurtosis values. This shows the flatter distribution of the data and that following a beta distribution, which has a lighter tail than the normal distribution.

Respondents were also asked to indicate their opinion on the importance of different financial indicators they use for an investment decision. Table 9
shows the results. Respondents, in general, think that all financial indicators are especially important to them for an investment decision. Among the several financial indicators provided to record the opinion of respondents, ‘Earning per share: EPS’ was the most important one with an average score of 4.52 points, followed by ‘Dividend per share: DPS’ with an average score of 4.51 points.

Table 9
Opinion on Importance of Financial Indicators

| Items                                | Mean* | Std. Deviation | Skewness | Std. Error | Kurtosis | Std. Error |
|--------------------------------------|-------|----------------|----------|------------|----------|------------|
| Earnings per Share (EPS)             | 4.52  | 0.82           | -1.82    | 0.20       | +3.09    | 0.39       |
| Dividend per Share (DPS)             | 4.51  | 0.85           | -2.12    | 0.20       | +4.96    | 0.39       |
| Price-earnings Ratio (PE Ratio)      | 4.41  | 0.92           | -1.44    | 0.20       | +1.40    | 0.39       |
| Return on Shareholder’s Equity       | 4.33  | 0.90           | -1.09    | 0.20       | +0.31    | 0.39       |
| Return on Assets                     | 4.12  | 1.05           | -1.09    | 0.20       | +0.55    | 0.39       |
| Overall Average                      | 4.38  |                |          |            |          |            |

*The value is in descending order.

Note. From Field Survey, 2020-21

The measure of dispersion shows that all the items were negatively skewed and at the same time all the kurtosis values were seen with positive value. In a negatively skewed distribution, the mean is less than the median and even lesser than the mode value because the few low scores intend to move the mean to the left and simultaneously, the positive kurtosis shows the distribution heavier than the normal distribution. Similarly, this also reflects that there is an issue of outliers.

Table 10
Overall Average Score for the Respective Accounting Statements

| Accounting Statement            | Average Score |
|---------------------------------|---------------|
| Financial Indicators           | 4.38          |
| Cash Flow Statements            | 3.58          |
| Income Statement                | 3.32          |
| Balance Sheet                   | 3.06          |

Table 10 shows the overall mean scores representing the degree of importance of various accounting statements published by the listed companies. The results indicate that Nepalese investors give the highest importance to the ‘Financial Indicators’ with an overall average score of 4.38, followed by the cash flow statements with an overall average score of 3.58 points.
Bazrafshan et al. (2013) found that earning indicators were the major concern to Iranian investors than other information from the accounting records. Similarly, Obaidat (2016) also pointed out that the earning information with cash flow information of the listed companies is more important than other accounting information. In context to Nepalese investors also, the paper found that they are more interested in the financial indicators and information revealed through the cash flow statements. The Nepalese investors are interested in the indicators reflected from the income statements. The results came closer to the findings of the Naimah (2012) that accounting earnings are the major concern to investors of the Jakarta Stock Exchange. Farj et al. (2016) in context to the Libyan Stock Exchange had found that the quality and quantity of the accounting information were the main concern to the Libyan investors, but in contrast, the Nepalese investors were concerned about using accounting information as much as possible to increase an investment decision-making capability. Huain (2015) found that the information related to the financial assets is the major concern to investors of the Bucharest Stock Exchange, but the Nepalese investors have seen more concern with the share capital of the listed companies. Further analysis among the Nepalese investors could be done by segregating based on sector-wise companies’ shares invested by an individual investor.

5. Conclusions and Implications

The accounting information is a piece of first-hand information, which helps an investor to get actual insight into the company. Accounting information is seen with high importance by the Nepalese investors. Every piece of accounting information was considered with high importance while making an investment decision to the Nepalese investors, in contradiction to the finding of Farj et al. (2016) where the Libyan investors fully depend on the information provided by the brokers while making their investment decision at the stock market. The investors have been using accounting information to increase their skills and capabilities during the investment process and to anticipate the future trend of the market as well as to predict the potential risk and return from the portfolio. The Nepalese investors are not in the opinion that the fluctuation of the stock prices is not due to the change or revision of the accounting information.

Obaidat (2016) found that every accounting information is important for a layman investor, but among that information, earning information is their main concern. Among the numbers of accounting information available to the Nepalese investors, financial indicators were seen with high importance. Among the financial indicators also, ‘Earning per Share: EPS’ as well as ‘Dividend per Share: DPS’ were the major concerns of the Nepalese investors.

Under other major financial statements, an item ‘Cash flow for investing activities’ under the Cash Flow Statement, ‘Net profit after taxes’ under the income statement, and finally, ‘Share Capital’ amount in the balance sheet of the listed companies at NEPSE were seen as the most important accounting information
by the Nepalese investors.

Alattar and Al-Khater (2007) found that the annual report published by the listed companies listed at the Qatar Stock Exchange has been a major source of information while making an investment decision. Though, an annual report or, quarterly reports of the listed companies publish plenty of accounting and financial information as directed by the respective governing bodies, but, for a layman investor, in context to Nepal simply a financial indicator based on the profitability of the company has become the basis for his/her investment decision. Hence, manipulation in the publication of financial reports should be punishable, as it is also linked with someone’s financial assets management.

At the same time, regular follow-up of the listed companies with strict provisions of fines and penalties should be adopted as per the necessities under Securities Listing and Trading Rules, 2018 for publishing the accounting information that is most essential to the investors. Similarly, the respective governing bodies should set benchmark indicators of accounting information to be published as per the nature and functioning of the listed companies, which make a layman investor get a better insight into the company’s performance.

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