

**FACTORS INFLUENCING INVESTORS' DECISION-  
MAKING IN NEPALESE MUTUAL FUNDS**

**A Thesis**

**Submitted By:**

**Sangita Shakya**

**Shanker Dev Campus**

**Campus Roll No.: 1439/070**

**T.U. Registration No.: 7-3-39-1558-2013**

**Exam Roll No.: 391029/072**

**Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

*In partial fulfillment of the requirement for the degree of  
Master of Business Studies (M.B.S)*

**Kathmandu, Nepal**

**June, 2024**

# **RECOMMENDATION**

This is to certify that the thesis

Submitted by:

**SANGITA SHAKYA**

**Entitled:**

## **FACTORS INFLUENCING INVESTORS' DECISION- MAKING IN NEPALESE MUTUAL FUNDS**

*has been prepared as approved by this Department in the prescribed format of the  
Faculty of Management. This thesis is forwarded for examination.*

.....  
Indra Bahadur Bohara

(Thesis Supervisor)

.....  
Asso. Prof. Dr. Sajeeb Kumar Shrestha

(Head, Research Department)

.....  
Asso. Prof. Dr. Krishna Prasad Acharya

(Campus Chief)

## **VIVA-VOCE SHEET**

We have conducted the viva – voce examination of the thesis presented

by

**SANGITA SHAKYA**

**Entitled:**

**FACTORS INFLUENCING INVESTORS' DECISION-  
MAKING IN NEPALESE MUTUAL FUNDS**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

**Master of Business Studies (MBS)**

### **Viva-Voce Committee**

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

## **DECLARATION**

I hereby declare that this thesis work entitled **Factors Influencing Investors' Decision-Making in Nepalese Mutual Funds** submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirements for the degree of Masters of Business Studies (M.B.S) which is prepared under the supervision and guidance of respected supervisor **Indra Bahadur Bohara** of Shanker Dev Campus, T.U.

.....

**Sangita Shakya**

**Shanker Dev Campus**

**Campus Roll No.: 1439/070**

**T.U. Regd. No.: 7-3-39-1558-2013**

**Exam Roll No: 391029/072**

## ACKNOWLEDGEMENT

I would like to express my sincere gratitude to everyone who has contributed significantly to the completion of my Graduate Research Project titled "**Factors Influencing Investors' Decision-Making in Nepalese Mutual Funds.**" Firstly, I am truly thankful to my supervisor, Indra Bahadur Bohara, for his invaluable guidance, continuous support, and profound insights throughout the research process. His expertise and encouragement have played a pivotal role in shaping this study and expanding my knowledge of the subject matter.

I also want to extend my appreciation to the participants who generously dedicated their time and shared their valuable insights. Their contributions have enriched the findings and implications of this research, making it more comprehensive and insightful.

Additionally, I am grateful to the faculty members and staff of Shanker Dev Campus for providing a conducive academic environment and resources that facilitated the smooth execution of this study. Their dedication to fostering knowledge and research has been a constant source of inspiration.

I deeply thank my family and friends for their unwavering support, understanding, and motivation throughout this journey. Their love, encouragement, and belief in my abilities have been my pillars of strength.

Finally, I would like to acknowledge the researchers, scholars, and authors whose work and literature I have referenced in this study. Their groundbreaking research and contributions have laid the groundwork for my investigation and significantly influenced my understanding of the subject.

While it is impossible to mention everyone individually, please accept my heartfelt thanks for your invaluable contributions, guidance, and support. Thank you all for being a part of this journey.

**Sangita Shakya**

# TABLE OF CONTENTS

	<b>Page No.</b>
Recommendation	ii
Viva-Voce Sheet	iii
Declaration	iv
Acknowledgement	v
Table of Contents	vi
List of Tables	ix
List of Figure	x
Abbreviations	xi
<b>CHAPTER – I: INTRODUCTION</b>	<b>1-11</b>
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Objective of the Study	5
1.4 Research Hypothesis	5
1.5 Significance of the Study	8
1.6 Limitations of the Study	9
1.7 Organization of the Study	9
<b>CHAPTER - II: REVIEW OF LITERATURE</b>	<b>11-36</b>
2.1 Introduction	11

2.2 Theoretical Review	11
2.2.1 The Efficient Market Hypothesis (EMH)	11
2.2.2 Portfolio Theory	12
2.2.3 Agency Theory	13
2.2.4 Behavioral Finance Theory	13
2.3 Conceptual Review	14
2.3.1 Mutual Fund	14
2.3.2 Mutual Funds in Nepal	15
2.3.3 Factors Influencing Investors' Decision-Making in Mutual Funds	16
2.3.3.1 Mutual Fund Performance	17
2.3.3.2 Fund Manager Qualities	17
2.3.3.2 Investor Awareness Level	18
2.3.3.3 Ease of Investment	19
2.3.3.4 Risk perception	20
2.3.4 Relationship between Mutual Fund Performance and Investment Decision Making In Mutual Fund	21
2.3.5 Relationship between Fund Manager Qualities and Investment Decision Making In Mutual Fund	22
2.3.6 Relationship between Investors Awareness Level and Investment Decision Making In Mutual Fund	22

2.3.7 Relationship between Ease of Investment and Investment Decision Making In Mutual Fund	23
2.3.8 Relationship between Risk Perception of Investors and Investment Decision Making In Mutual Fund	23
2.4 Empirical Review	24
2.4.1 Summary of Empirical Review	32
2.5 Research Gap	35
<b>CHAPTER - III: RESEARCH METHODOLOGY</b>	<b>37-50</b>
3.1 Intoduction	37
3.2 Research Design	37
3.3 Population Sample and Sample Design	38
3.3.1 Population	38
3.3.2 Sample and Sampling Design	38
3.4 Nature and Sources of Data	39
3.5 Data Collection Instrument	40
3.6 Data Analysis Method	41
3.7 Reliability	43
3.8 Validity	44
3.9 Conceptual Framework	45

3.9.1 Definition of Variables	48
<b>CHAPTER - IV: PRESENTATION AND ANALYSIS OF DATA</b>	<b>51-77</b>
4.1 Introduction	51
4.2 Demographic characteristics of the respondents	51
4.3 Descriptive Statistics of Variables	57
4.4 Inferential Statistics	66
4.4.1 Correlation Analysis	67
4.4.2 Multiple Regression Analysis	69
4.5 Hypothesis Testing	73
4.6 Major Findings of the Study	75
<b>CHAPTER – V: SUMMARY, CONCLUSION AND</b>	
<b>RECOMMENDATIONS</b>	<b>78-84</b>
5.1 Summary	78
5.2 Conclusion	79
5.3 Recommendations	81
5.4 Areas for Future Research	82
<b>Bibliography</b>	
<b>Appendix</b>	

## LIST OF TABLES

<b>Table No.</b>	<b>Page No.</b>
2.1 Major Findings from literature Review	32
3.1 Reliability Statistics	44
4.1 Gender	51
4.2 Age Groups	52
4.3 Marital Status	53
4.4 Employment Status	53
4.5 Occupation	54
4.6 Annual Income	55
4.7 Annual Savings	56
4.8 Size of Investment in Mutual Fund Schemes (Percentage of Portfolio)	57
4.9 Descriptive Statistics of Mutual fund Performance	58
4.10 Descriptive Statistics of Fund Manager Qualities	59
4.11 Descriptive Statistics of Investors' Awareness Levels	61
4.12 Descriptive Statistics of Ease of Investment	62
4.13 Descriptive Statistics of Investors' Risk Perceptions	64
4.14 Descriptive Statistics of Investment Decision in Mutual Funds	65
4.15 Correlation Coefficient of Variables	67

4.16 Model Summary	70
4.17 ANOVA	71
4.18 Regression Analysis	72
4.19 Hypothesis Testing	74

## LIST OF FIGURE

<b>Figure No.</b>	<b>Page No.</b>
3.1 Conceptual Framework for Factors Influencing Investors' Decision-Making in Mutual Funds in Nepal	47

## **ABBREVIATIONS**

AD	:	Anno Domini
ATM	:	Automated Tailor Machine
BS	:	Bikram Sambat
CA	:	Current Assets
CB	:	Commercial Banks
e.g.	:	Example
EPS	:	Earning Per Share
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Products
GIBL	:	Global IME Bank Limited
i.e.	:	That is
I.I	:	Interest Income
IT	:	Information Technology
L & A	:	Loan and Advance
LATDR	:	Loan and Advance to Total Deposit Ratio
LLP	:	Loan Loss Provision
Ltd.	:	Limited
NIBL	:	Nepal Investment Bank Limited
N.P.L	:	Non – Performing Loan

NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
SD	:	Standard Deviation
T.A	:	Total Assets
TU	:	Tribhuvan University



# CHAPTER –I

## INTRODUCTION

### 1.1 Background of the Study

A mutual fund pools money from multiple investors to invest in securities like stocks, bonds, and other assets, managed by a professional money manager. It's a popular investment option for diversifying a portfolio and accessing professional management. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus (Investopedia, 2021).

Several factors can affect mutual funds, including mutual fund performance, fund manager qualities, investors' awareness, ease of investment, and risk perceptions (Morningstar, 2021).

Mutual fund performance is the measurement of a mutual fund's ability to generate returns for its investors over time, typically compared to a benchmark or another mutual fund. This measurement can encompass various metrics, including total return, capital appreciation, dividend yield, and risk-adjusted returns. By evaluating a mutual fund's performance, investors can assess how well the fund has performed relative to the market or other investment options (Bodie, Kane, & Marcus, 2022).

Mutual fund performance plays a significant role in investment decisions. Investors are often attracted to mutual funds that have a strong track record of performance, as it is viewed as an indicator of the fund's ability to generate returns in the future. In contrast, poor mutual fund performance can lead investors to withdraw their investments and seek other options (Mathur, 2015).

Mutual fund manager qualities refers to the specific skills and characteristics that successful mutual fund managers possess. These qualities encompass both technical expertise and personal attributes that contribute to their ability to generate strong returns for investors (CFA Institute, 2023).

Investor decisions are significantly influenced by the qualities of mutual fund managers. In order to make the best investment decisions, investors seek managers who possess a strong

reputation, proven expertise, and sound decision-making skills. It is essential for these managers to be able to navigate markets, manage risk, and communicate clearly and effectively (Nihar & Bhamidipati, 2012).

Investor awareness level reflects an investor's understanding of financial products, markets, and risks. This includes knowledge of investment options, market dynamics, personal risk tolerance, and investor rights and responsibilities. A higher awareness level empowers individuals to make informed investment decisions aligned with their goals (Purohit & Rohella, 2015).

Investor awareness level has a significant impact on investment decisions and outcomes. Studies have found a positive association between investor awareness level and investment performance. Investors with a higher awareness level tend to make more informed investment decisions and achieve their investment goals (Mittal, and Sharma, 2018).

Ease of investment refers to the simplicity and convenience of the investment process. It includes factors such as accessibility, cost, and user-friendliness of investment platforms (Lusardi & Mitchell, 2014). The ease of investment has a significant impact on investment decisions, especially for mutual funds. Investors are more likely to invest in mutual funds that have a simple and convenient investment process. Investors prefer mutual funds that have low investment costs, easy-to-use online platforms, and a variety of investment options (Dong and Bao, 2019).

Risk perception refers to how investors perceive the level of risk associated with an investment. It is a subjective assessment that is influenced by individual factors such as age, income, education, experience, and personality. Risk perception has a significant impact on investment decisions, especially for mutual funds. Investors who have a higher risk perception tend to invest in mutual funds with lower risk levels, while investors who have a lower risk perception tend to invest in mutual funds with higher risk levels (Arathy & Nair, 2017).

Mutual funds have become an increasingly popular investment option in Nepal in recent years. According to the Securities Board of Nepal (SEBON), the number of mutual fund schemes and investors has grown rapidly in the past few years. As of May 2021, there were

49 mutual fund schemes in Nepal, managing a total asset of NPR 262.52 billion (US\$ 2.24 billion), and a total of 1,548,640 investors. The growth of the mutual fund industry in Nepal has been driven by factors such as increasing income levels, low interest rates on bank deposits, and a favorable regulatory environment (SEBON, 2021).

Mutual funds have become increasingly popular in Nepal, with a growing number of mutual fund schemes and investors. However, there is a lack of research on the factors that influence investors' decision-making in mutual funds in Nepal. Therefore, the aim of this study is to identify and analyze the factors that influence investors' decision-making in mutual funds in Nepal, focusing on factors such as investor awareness level, ease of investment, risk perception, fund performance, and fund manager reputation. The study provides valuable insights for mutual fund companies and investors in Nepal, enabling them to make informed investment decisions.

## **1.2 Statement of the Problem**

Despite the potential benefits of investing in mutual funds, Nepalese investors show a comparatively lower priority to invest in mutual funds as compared to other financial assets (Dangol & Shakya, 2017). This trend is evident from the fact that fixed deposits are the most common and preferred financial security among Nepalese investors. Even though mutual fund investments provide benefits such as reservations in public issue, avoidance of dual taxation, and dividends to investors, mutual funds are still not the preferred investment choice for Nepalese investors.

Although mutual funds have gained significant attention and adoption in Nepal owing to their capacity for diversification and the employment of professional management strategies, there is a recognized need to raise awareness and knowledge dissemination among investors (Suresh, 2022). Mutual fund schemes are well-managed investments, with qualified fund managers and risk analysts, contributing to the surge in mutual fund investments among Nepalese investors (Chaudhary et al., 2021; Shrestha & Shrestha, 2020; Kandel, 2019). However, the behavior of mutual fund managers plays a crucial role in fund performance, and prior research suggests that fund managers often allocate a significant portion of new fund money to previously well-performing stocks, aiming to replicate past success (Wermers, 2003).

In FY 2018/19, six mutual fund schemes were approved by SEBON for public issue, but none of these schemes were fully subscribed within the first four working days of the public offering (Investment Management Service, 2020). Out of these six schemes, four were undersubscribed by a significant margin. This indicates that investors are becoming more cautious about their investments and mutual fund managers need to design their mutual fund schemes as per the targeted nature of investors. Moreover, since a single type of mutual fund scheme cannot address the needs of a wide range of investors, it is important to critically analyze investors based on their characteristics, investment objectives, and risk appetite and incorporate these factors while designing the mutual fund schemes.

Despite prior studies on factors influencing investment in mutual funds in neighboring Asian countries, there are significant deviations in the investment climate, financial teachings, financial literacy, nature of mutual fund schemes, and upbringing in Nepal that could affect the standard assumptions. Additionally, the recent amendment of Mutual Fund Regulations, 2010 has enabled insurance companies and other financial institutions to operate mutual fund schemes, which makes the mutual fund industry more competitive. However, there is an eminent risk of failure to attract and satisfy investors to mutual fund schemes as investors currently exhibit an aversion to mutual funds.

Therefore, it is vital to study the factors that influence investment in mutual fund schemes in Nepal, taking into account the unique characteristics of the Nepalese investment climate, financial teachings, financial literacy, and investors' preferences. This study aims to identify the factors that affect investment decisions in mutual fund schemes and provide insights to mutual fund managers to design schemes that meet the needs and preferences of Nepalese investors. The aim of this study is to answer the research questions on the key factors that influence investors' decision-making in Nepalese mutual funds. The research questions are as follows:

1. What are the main factors that influence the decision-making process of investors in Nepalese mutual funds?
2. Is there any relationship between mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception related to each other in influencing investment decision-making among Nepalese mutual funds?

3. Do mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception have an impact on investment decisions among investors in Nepalese mutual funds?

### **1.3 Objective of the Study**

#### **General Objective**

To investigate the factors influencing investment decision-making among mutual fund investors in Nepal.

#### **Specific Objectives**

1. To assess the specific factors that influence the decision-making process of investors in Nepalese mutual funds.
2. To examine the relationship between mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception related to each other in influencing investment decision-making among Nepalese mutual funds.
3. To analyze the impact of mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception on investment decisions among investors in Nepalese mutual funds.

### **1.4 Research Hypothesis**

According to Myers (2010), a hypothesis is a tentative explanation or proposition for a specific phenomenon based on previous observations and research. After reviewing the literature on the factors influencing investors' decision-making in mutual funds in Nepal and internationally, the following hypothesis can be proposed:

There is a significant positive relationship between mutual fund performance and individual investment decisions related to mutual fund investments. The studies conducted by Bhattarai and Adhikari (2018), Dhungana (2019), and Poudel and Koirala (2018) indicated that the performance of mutual funds is a key factor that influences investment decisions of

individual investors in Nepal. These studies have shown that informed investment decisions based on mutual fund performance lead to higher returns compared to those made without considering fund performance. The studies also highlight that mutual fund performance is a crucial consideration for investors in Nepal due to the growing mutual fund industry, the availability of publicly accessible mutual fund performance data, and the popularity of mutual funds as an investment option.

**H1:** *There is a significant positive influence of mutual fund performance on individual investment decisions regarding mutual fund investments in Nepal.*

This hypothesis is based on the assumption that fund managers' qualities have been found to have a significant positive influence on individual investment decisions regarding mutual fund investments. Studies conducted by Fama and French (2010) and Chen, Hong, and Huang (2011) have shown that fund managers' skills and expertise have a positive impact on mutual fund performance. In the context of Nepal, a study conducted by Bajracharya and Koirala (2018) found that fund managers' education, experience, and investment knowledge have a significant positive influence on individual investment decisions regarding mutual fund investments. Similarly, a study conducted by Pathak et al. (2019) in India also found that fund managers' qualities have a positive influence on mutual fund performance and individual investment decisions. Overall, these studies suggest that fund managers' qualities are an important factor to consider when making investment decisions regarding mutual fund investments.

**H2:** *There is a significant positive influence of fund managers' qualities on individual investment decisions regarding mutual fund investments in Nepal.*

This hypothesis is based on the assumption that investors' awareness levels have a significant positive influence on individual investment decisions regarding mutual fund investments. Studies conducted by Chang and Chen (2015) and Pompian (2010) have shown that investor knowledge and awareness levels are positively correlated with mutual fund performance and investment success. In the context of Nepal, a study conducted by Bajracharya and Koirala (2018) found that investors' awareness levels have a significant positive influence on individual investment decisions regarding mutual fund investments.

Similarly, a study conducted by Adhikari and Shrestha (2016) in Nepal also found that investors' awareness levels have a positive impact on investment decisions. Overall, these studies suggest that investors' awareness levels are an important factor to consider when making investment decisions regarding mutual fund investments.

**H3:** *There is a significant positive influence of investors' awareness levels on individual investment decisions regarding mutual fund investments in Nepal.*

This hypothesis is based on the assumption that ease of investment has a significant positive influence on individual investment decisions regarding mutual fund investments in Nepal. Studies conducted by Deloitte (2019) and Fidelity (2018) have shown that investors tend to prefer investment options that are easy to understand and use. In the context of Nepal, a study conducted by Bajracharya and Koirala (2018) found that ease of investment has a significant positive influence on individual investment decisions regarding mutual fund investments. The study concluded that investors tend to prefer mutual funds that are easy to invest in and have a user-friendly investment process. Overall, these studies suggest that ease of investment is an important factor to consider when making investment decisions regarding mutual fund investments. Investors tend to favor investment options that are easy to understand, convenient to invest in, and have a user-friendly investment process.

**H4:** *There is a significant positive influence of ease of investment on individual investment decisions regarding mutual fund investments in Nepal.*

This hypothesis suggests that there is a significant positive influence of risk perception on individual investment decisions regarding mutual fund investments in Nepal. This hypothesis is supported by various studies. For instance, a study conducted by Singh and Bhowal (2009) found that managing investors' risk perception can be achieved through heightened awareness of the various facets of risk and the factors that impact their individual levels of risk perception. Similarly, Maiya (2014) uncovered that investors' age significantly impacts their risk perceptions in the context of investment decisions. Other demographic characteristics, such as income and socio-economic variables, have also been demonstrated to exert influence on investment choices (Mathur, 2015; Chaudhary et al., 2022). Moreover, studies have shown that investors' risk perceptions can significantly impact their investment

decisions, particularly in the context of mutual fund investments. For example, Lenard et al. (2003) found that the choice to transfer funds within a fund family is influenced by the investor's stance on risk.

**H5:** *There is a significant positive influence of risk perception on individual investment decisions regarding mutual fund investments in Nepal.*

### **1.5 Significance of the Study**

The investment industry in Nepal is rapidly growing, and mutual funds have become one of the most popular investment options. However, little is known about the factors that influence investment decision-making among mutual fund investors in Nepal. Understanding these factors is crucial because they play a vital role in shaping investment decisions, and ultimately, the returns that investors may receive.

Therefore, the significance of this study is to investigate the factors that influence investment decision-making among mutual fund investors in Nepal. By identifying these factors, this study aims to provide a comprehensive understanding of the various factors that influence investment decision-making in the context of mutual fund investments in Nepal.

Moreover, this study aims to explore the relationships between mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, risk perception, and investment decision-making among mutual fund investors in Nepal. By exploring these relationships, this study aims to provide insights into the interplay between these factors and investment decision-making.

In addition, this study aims to assess the impact of these factors on investment decision-making among mutual fund investors in Nepal. By doing so, this study aims to provide insights into which factors have the most significant impact on investment decision-making and determine which factors are most important to consider when making investment decisions regarding mutual fund investments in Nepal.

Overall, this study's significance is to contribute to the existing body of literature on mutual fund investments in Nepal and provide insights that can be used by policymakers, investment

managers, and individual investors to make informed investment decisions. By doing so, this study aims to help promote a more efficient and effective mutual fund industry in Nepal, which can lead to better investment outcomes for investors.

### **1.6 Limitations of the Study**

The study aims to investigate the factors that influence investment decision-making among mutual fund investors in Nepal. The study has certain limitations that need to be acknowledged. The limitations of this study are:

1. The sample is taken from the Kathmandu Valley, which may not be representative of the entire population of mutual fund investors in Nepal.
2. The study is based on primary data collected through a questionnaire, which may be subject to response bias.
3. The study used a convenience sampling method to select the sample, which may have introduced sampling bias.
4. The study is limited to mutual fund investments in Nepal and does not consider other types of investments. Therefore, the findings of the study may not be applicable to other investment options.
5. The study is limited to the variables that are included in the investigation, and other factors that may influence investment decision-making among mutual fund investors in Nepal may not be accounted for.

### **1.7 Organization of the Study**

The study on the factors that influence investment decision-making among mutual fund investors in Nepal comprises five chapters. These chapters are designed to provide a comprehensive understanding of the research problem and address the study's objectives. These chapters include:

1. Introduction: This chapter provides an overview of the research problem and objectives, highlighting the thesis structure.

2. Literature Review: This chapter explores the conceptual framework and theoretical perspectives related to factors that influence investment decision-making among mutual fund investors. A review of previous studies is also conducted to provide a comprehensive understanding of the research problem.

3. Research Methodology: This chapter details the survey-based methodology used to investigate the factors influencing investment decision-making among mutual fund investors in Nepal. The chapter also discusses the data collection process, sampling techniques, and statistical methods used.

4. Results and Discussion: This chapter presents the empirical findings of the study and compares them with existing literature. The chapter also discusses practical insights and limitations of the study.

5. Summary and Conclusion: This chapter summarizes the key findings, implications for theory and practice, and recommendations for future research. The chapter also provides reflections on the research journey.

6. References: This section provides a comprehensive list of all sources cited in the thesis, formatted according to the preferred citation style.

7. Appendices: This section includes any supplementary materials, such as questionnaires, statistical tables, and graphs used in the study.

Overall, the thesis provides a comprehensive understanding of the factors that influence investment decision-making among mutual fund investors in Nepal. The study's findings can be beneficial for policymakers, investment managers, and individual investors to make informed investment decisions and promote the growth of the mutual fund industry in Nepal.

# **CHAPTER - II**

## **REVIEW OF LITERATURE**

### **2.1 Introduction**

Review of literature chapter aims to provide a comprehensive understanding of the factors that influence investment decision-making among mutual fund investors in Nepal. This chapter explores the conceptual framework and theoretical perspectives related to the research problem. The review of previous studies also provides insights into the current state of research on this topic and highlights the gaps in the literature that this study aims to fill. The chapter begins by defining key terms and concepts related to mutual funds and investment decision-making. It then proceeds to examine various theories and models used to explain the factors that influence investment decision-making, such as the behavioral finance theory, the prospect theory, and the agency theory. Lastly, this chapter identifies research gaps in the existing literature, paving the way for the current study to address unanswered questions and contribute new insights to the field.

### **2.2 Theoretical Review**

#### **2.2.1 The Efficient Market Hypothesis (EMH)**

The Efficient Market Hypothesis (EMH) is a theory that suggests that financial markets are "informationally efficient," meaning that asset prices always reflect all available information at any given time (Fama, 1970). According to the EMH, it is impossible to consistently outperform the market by using any kind of information, whether it is publicly available or private (Lakonishok et al., 1992).

This is because all information is already reflected in the current market price. If the market is efficient, then any new information that becomes available will be immediately reflected in the asset price, meaning that there is no way to gain an edge by acting on this information. There are three forms of EMH: weak, semi-strong, and strong. The weak form of EMH suggests that all historical price and volume data is already reflected in the current market price. The semi-strong form of EMH suggests that all publicly available information, such as financial statements and news announcements, is already reflected in the current market

price. Finally, the strong form of EMH suggests that all information, including private information, is already reflected in the current market price (Fama, 1991). While the EMH is not without its criticisms, it remains an important concept in financial theory, and many investors and analysts use it as a guiding principle in their investment strategies.

### **2.2.2 Portfolio Theory**

Prospect theory (Kahneman & Tversky, 1979) is a relevant theory to consider when examining the factors that influence investors' decision-making in mutual funds in Nepal. According to prospect theory, investors' decisions are often influenced by the way that outcomes are framed and their subjective evaluation of those outcomes (Kahneman & Tversky, 1979). This means that investors may be more likely to choose mutual funds based on how the investment is presented to them rather than on objective criteria such as past performance or fees. In addition, prospect theory suggests that individuals are more sensitive to losses than gains and are more likely to take risks to avoid losses than to achieve gains (Kahneman & Tversky, 1979). This principle may be particularly relevant in the context of mutual funds in Nepal, where investors may be more concerned about losing their investment than earning a return.

Research has found that other factors can also influence investors' decision-making in mutual funds in Nepal. For example, a study by Acharya and Koirala (2017) found that investors in Nepal were more likely to invest in mutual funds that were run by large, well-established fund management companies. The study also found that investors were more likely to invest in mutual funds that had a good reputation and were recommended by friends or family members (Acharya & Koirala, 2017).

Overall, prospect theory provides a useful framework for understanding the factors that influence investors' decision-making in mutual funds in Nepal (Kahneman & Tversky, 1979). By considering the way that outcomes are framed and the subjective evaluation of those outcomes, as well as other factors such as the reputation of the fund management company, mutual fund providers can better understand and respond to the needs and preferences of Nepalese investors.

### **2.2.3 Agency theory**

Agency theory is a framework used to understand the relationship between principals (such as shareholders, owners, or managers) and agents (such as employees or managers) in organizations. This theory suggests that there can be conflicts of interest between the principals and agents, leading to what is known as the principal-agent problem (Eisenhardt, 1989). The principals want the agents to act in their best interest, but the agents may have their own interests at heart and may not always prioritize the interests of the principals.

One of the key ways to address the principal-agent problem is through the use of incentives and monitoring. Incentives can be used to align the interests of the principals and agents, while monitoring can be used to ensure that the agents are behaving in ways that are consistent with the interests of the principals (Jensen & Meckling, 1976).

Another way to address the principal-agent problem is through the use of contracts that specify the responsibilities and expectations of both the principals and agents. These contracts can include performance metrics and penalties for not meeting those metrics, providing further incentives for the agents to act in the best interest of the principals (Fama & Jensen, 1983).

Overall, agency theory provides a useful framework for understanding the dynamics between principals and agents in organizations and offers strategies for addressing potential conflicts of interest.

### **2.2.4 Behavioral Finance Theory**

According to Kaustubh (2015), behavioral finance is a relatively new field of study that combines traditional finance theory with psychology to explain why investors make certain decisions. Kumar and Mishra (2017) suggest that herding behavior is a phenomenon where investors tend to follow the crowd and make investment decisions based on the actions of others. This behavior can lead to market inefficiencies, such as overvalued or undervalued securities. Nofsinger (2012) explains that overconfidence is another behavioral bias that affects investor decision-making. Overconfident investors tend to believe they have more

knowledge and information than they actually do, leading them to make risky investment decisions.

Shefrin and Statman (1985) suggest that loss aversion is another important factor that affects investor decision-making. Loss aversion refers to the tendency of investors to feel the pain of losses more intensely than the pleasure of gains. This can lead investors to hold on to losing investments for too long or sell winning investments too soon. Tversky and Kahneman (1981) argue that framing effects also play a significant role in influencing investor decision-making. The way information is presented to investors can have a significant impact on their investment decisions. Tversky and Kahneman (1974) suggest that anchoring is another bias that affects investor decision-making. Anchoring refers to the tendency of investors to rely too heavily on the first piece of information they receive when making a decision. This can lead to suboptimal investment decisions, as investors may not consider all relevant information.

## **2.3 Conceptual Review**

### **2.3.1 Mutual Fund**

A mutual fund is a type of investment vehicle that pools money from multiple investors and invests in a diversified portfolio of securities such as stocks, bonds, or a combination of both (Investopedia, n.d.). The primary objective of mutual funds is to provide investors with a convenient and cost-effective way to invest in the financial markets while minimizing risk through diversification.

According to a study by Morningstar (2021), mutual funds have become an increasingly popular investment option for individual investors over the last few decades. In 1990, mutual funds held just \$1.1 trillion in assets under management (AUM) in the United States. By 2020, that number had grown to over \$22.9 trillion in AUM.

One of the key benefits of mutual funds is that they offer investors a wide range of investment options that cater to different investment styles, risk appetites, and financial goals (Investor.gov, n.d.). For example, an investor who is looking for a stable income stream may choose to invest in a bond mutual fund, while an investor who is seeking long-term capital appreciation may choose to invest in an equity mutual fund.

Another advantage of mutual funds is that they provide investors with professional management and expertise. The fund manager is responsible for making investment decisions on behalf of the investors and is typically supported by a team of analysts who conduct research and analysis to identify investment opportunities (The Balance, 2021).

However, it is important to note that mutual funds also come with certain risks. Like all investments, mutual funds are subject to market risk, which means that the value of the fund can fluctuate based on market conditions. Additionally, mutual funds come with fees and expenses that can impact overall returns (Investor.gov, n.d.).

In conclusion, mutual funds are a popular investment option that offer investors a convenient and cost-effective way to invest in the financial markets. While they come with certain risks and expenses, they also provide investors with professional management and a wide range of investment options to choose from.

### **2.3.2 Mutual funds in Nepal**

Mutual funds play a significant role in Nepal's financial landscape, offering investors a diversified and professionally managed investment vehicle. While the mutual fund industry in Nepal is relatively young compared to global counterparts, it has been experiencing steady growth in recent years. According to Shakya and Dhakal (2019), mutual funds in Nepal have gained popularity among investors due to their convenience, diversification benefits, and potential for attractive returns. These funds pool funds from individual investors and invest them in a diversified portfolio of securities, including stocks, bonds, and money market instruments, managed by experienced professionals.

The Nepal Rastra Bank (NRB), Nepal's central bank, regulates the mutual fund industry in the country. The NRB oversees the establishment, operation, and regulation of mutual funds to ensure investor protection and market integrity (Nepal Rastra Bank, 2021).

Several asset management companies operate mutual funds in Nepal, offering a range of fund options tailored to meet investors' diverse needs and risk preferences. These funds encompass various asset classes, investment strategies, and risk profiles, allowing investors to choose funds that align with their investment objectives (Bhattarai & Shrestha, 2021).

Despite the growth of the mutual fund industry in Nepal, there are challenges and opportunities facing the sector. Regulatory reforms, investor education initiatives, and technological advancements are driving growth and innovation in the industry (Rajbhandari, 2019). However, there is a need for further awareness-building efforts and investor education to enhance investor confidence and participation in mutual funds (Adhikari, 2020).

Overall, mutual funds play a vital role in Nepal's capital market development, providing investors with access to diversified investment opportunities and contributing to the growth and sophistication of the country's financial sector. As the industry continues to evolve, there are opportunities for further expansion and innovation to meet the evolving needs of investors and contribute to the overall development of Nepal's economy (Shrestha, 2020).

### **2.3.3 Factors Influencing Investors' Decision-Making in Mutual Funds**

Investors' decision-making in mutual funds is influenced by several factors in Nepal. According to a study by Pandey and Koirala (2018), the most significant factors are past performance, fund manager's experience, and investment objective. Investors tend to choose mutual funds with a consistent track record of good performance over time. They also prefer mutual funds managed by experienced professionals who have a proven record of delivering returns in different market conditions.

In addition to this, investors also consider the expense ratio, investment style, and risk tolerance while selecting mutual funds. According to a study by Bhandari et al. (2019), investors are willing to pay higher expense ratios for actively managed mutual funds as they perceive them to provide better returns in the long run. However, investors who have a low-risk tolerance tend to prefer passively managed mutual funds.

Furthermore, investors' decision-making is also influenced by their demographic characteristics such as age, income, and education level. According to a study by Bhandari and Koirala (2019), younger and more educated investors tend to invest in equity-oriented mutual funds, while older investors prefer debt-oriented mutual funds. Investors with higher income tend to invest in mutual funds with higher risk and return potential.

In conclusion, the selection of mutual funds is influenced by factors such as mutual fund performance, fund manager qualities, ease of investment, investors' awareness level, and risk

perception. Investors prefer mutual funds with a consistent track record of good performance and managed by experienced professionals. They also prefer funds that are easy to invest in, transparent, and match their risk tolerance level. These factors should be considered before making investment decisions in mutual funds.

### **2.3.3.1 Mutual Fund Performance**

Mutual fund performance is a multifaceted concept influenced by various factors. Investment strategies adopted by mutual funds, such as growth, value, or income-oriented approaches, significantly impact their performance (Elton et al., 2007). Each strategy carries its own risk-return profile and may perform differently under different market conditions. Fund management expertise also plays a critical role in determining performance, as skilled fund managers can identify investment opportunities and manage portfolio risk effectively (Grinblatt & Titman, 1994). Moreover, market conditions, including economic trends and geopolitical events, exert considerable influence on mutual fund performance. For instance, bull markets tend to favor equity-oriented funds, while bear markets may benefit fixed income or alternative investment strategies (Fabozzi et al., 2009).

Additionally, changes in the regulatory environment, such as reporting standards or fee structures, can impact fund expenses and, consequently, performance (Stoughton & Zechner, 1998; Wermers, 2000). Understanding these factors is crucial for investors to evaluate mutual fund performance accurately and make informed investment decisions. By considering the interplay of investment strategies, fund management expertise, market conditions, and regulatory dynamics, investors can assess the potential risks and rewards associated with investing in mutual funds.

### **2.3.3.2 Fund Manager Qualities**

Fund manager qualities play a critical role in determining the success and performance of mutual funds. According to Cuthbertson and Nitzsche (2013), a competent fund manager possesses expertise and experience in financial markets, which enables them to navigate market complexities and identify lucrative investment opportunities. Additionally, Lo and MacKinlay (2010) emphasize the importance of analytical skills in portfolio management, as fund managers must evaluate market trends, assess risks, and select securities that align with the fund's objectives. Grinblatt and Titman (1994) highlight the significance of sound

decision-making skills, as managers must weigh various factors to make strategic investment decisions that optimize risk-adjusted returns.

Effective risk management is also crucial, as Sharpe (1994) notes that fund managers must implement robust risk management strategies to safeguard investor capital and mitigate portfolio volatility. This includes employing diversification techniques, hedging strategies, and asset allocation models tailored to the fund's risk tolerance and investment mandate.

Communication and transparency are critical qualities, as Bogle (2012) suggests that transparent communication fosters trust and confidence among investors, enhancing their understanding of the fund's investment strategy and performance. By prioritizing clear and open communication, managers can manage investor expectations and address concerns proactively.

Moreover, alignment of interests is essential, as Jensen (2001) argues that fund managers should prioritize investors' interests over personal incentives, aligning their actions with the long-term goals of the fund. This cultivates trust and loyalty among investors, fostering enduring relationships and enhancing the fund's reputation.

### **2.3.3.2 Investor Awareness Level**

Investor awareness level is a crucial aspect of investing in financial securities. According to Chakraborty and Ray (2017), a lack of investor awareness can lead to poor investment decisions and an increased risk of financial loss. Financial literacy is one of the most significant factors that influence investor awareness. According to Lusardi and Mitchell (2014), a lack of financial literacy can hinder investor awareness, as it may impede investors' ability to understand the risks and rewards associated with different financial securities. This is particularly relevant for novice investors who may not have a strong understanding of financial markets or investment strategies. To address this issue, investor education programs can help improve investor awareness levels by providing investors with the necessary knowledge and skills to make informed investment decisions (Chakraborty & Ray, 2017).

The availability of information is another factor that can impact investor awareness levels. According to Glaeser and Scheinkman (2001), investors' access to reliable and timely information can affect their investment decisions and overall investment performance. Regulators can play a significant role in enhancing investor awareness levels by promoting transparency and protecting investors. According to Gennaioli, Shleifer, and Vishny (2015),

regulatory frameworks that protect investors can enhance investor awareness levels. Finally, market conditions such as volatility and uncertainty can also affect investor awareness levels. According to Barber and Odean (2008), investors tend to be less aware of investment risks during periods of market volatility, which can lead to poor investment decisions. By understanding the factors that influence investor awareness levels, investors can take steps to improve their knowledge and make informed investment decisions, thereby mitigating investment risks and optimizing investment returns.

In conclusion, investor awareness is crucial for making informed investment decisions and mitigating investment risks. Financial literacy, access to information, investor education, regulatory environment, and market conditions are some of the key factors that influence investor awareness levels. By promoting investor education, providing reliable information, and creating regulatory frameworks that protect investors, investor awareness levels can be enhanced. By improving investor awareness levels, investors can make informed investment decisions, mitigate investment risks, and optimize investment returns, thereby achieving their financial objectives.

### **2.3.3.3 Ease of Investment**

Ease of investment in mutual funds is an important factor that can impact an investor's decision to invest in mutual funds. Mutual funds offer investors an easy and convenient way to invest in a diversified portfolio of securities, without the need for extensive knowledge of financial markets or investment strategies (Vishwanathan & Krishnamurti, 2019). In this section, we examine the various factors that contribute to the ease of investment in mutual funds and their impact on investor behavior.

One of the key factors that contribute to the ease of investment in mutual funds is accessibility. According to a study by Hsu and Kuan (2014), easy access to mutual funds, such as online platforms, mobile applications, and brokerage services, can significantly increase investor participation. The study found that investors who had access to online platforms were more likely to invest in mutual funds than those who did not have access.

Another factor that contributes to the ease of investment in mutual funds is simplicity. According to a study by Khorana, Servaes, and Tufano (2009), mutual funds that are easy to understand and have a simple investment process are more likely to attract investors. This is

particularly relevant for novice investors who may be intimidated by complex investment strategies and financial jargon.

Regulatory frameworks and reporting standards can also impact the ease of investment in mutual funds. According to a study by Li and Zou (2019), regulatory frameworks that promote transparency, protect investors, and ensure fair disclosure can enhance the ease of investment in mutual funds. Similarly, reporting standards that provide investors with timely and accurate information about fund performance, expenses, and risks can help investors make informed investment decisions (Kacperczyk & Wallace, 2014).

Finally, cost plays a significant role in the ease of investment in mutual funds. According to a study by Chen, Hong, and Huang (2019), mutual funds that have low fees and expenses are more likely to attract investors. This is because lower fees can increase the net returns for investors and enhance the overall value proposition of the mutual fund.

In conclusion, ease of investment in mutual funds is a crucial factor that can impact investor behavior. Accessibility, simplicity, regulatory frameworks, reporting standards, and cost are some of the key factors that contribute to the ease of investment in mutual funds. By understanding these factors, mutual fund providers and regulators can develop strategies to enhance the ease of investment in mutual funds, attracting more investors and promoting financial inclusion.

#### **2.3.3.4 Risk perception**

Risk perception is a crucial factor that can impact an investor's decision to invest in mutual funds. The perceived risk associated with mutual funds can be influenced by various factors, such as the fund's investment strategy, historical performance, management expertise, market volatility, and regulatory environment (Kwok et al., 2019).

Investors' risk perception can be influenced by their risk tolerance and investment objectives. According to a study by Grable and Lytton (1999), investors with higher levels of risk tolerance are more likely to invest in mutual funds than those with lower levels of risk tolerance. Similarly, investors with long-term investment objectives may perceive mutual funds as a viable investment option, as they offer the potential for higher returns over an extended period.

The perceived risk associated with mutual funds can also be influenced by market conditions. For instance, during periods of market volatility, investors may perceive mutual funds as riskier investments due to the potential for higher portfolio volatility (Fama & French, 2004). Additionally, changes in the regulatory environment, such as reporting standards or fee structures, can impact fund expenses and, consequently, risk perception (Stoughton & Zechner, 1998; Wermers, 2000).

Effective communication is crucial for managing investors' risk perception. According to a study by Brown and Reilly (2009), clear and transparent communication from mutual fund managers can help manage investor expectations and mitigate risk perception. By providing investors with timely and accurate information about the fund's investment strategy, performance, and risks, fund managers can enhance investor confidence and reduce risk perception.

In conclusion, risk perception is a crucial factor that can impact an investor's decision to invest in mutual funds. The perceived risk associated with mutual funds can be influenced by various factors, such as the fund's investment strategy, historical performance, management expertise, market volatility, and regulatory environment. By understanding investors' risk tolerance and investment objectives, fund managers can tailor their communication strategies to manage risk perception effectively.

#### **2.3.4 Relationship between Mutual Fund Performance and Investment Decision Making In Mutual Fund**

Mutual Fund investors are driven by their desire for favorable returns on their investment decisions, a fact that has been well established by studies conducted by Chen et al. (2009), Srividya (2009), and Mathur (2015). Rathnamani (2013) emphasizes that mutual funds attract investors who seek a balance between high gains, low risk, and liquidity. It is worth noting that limited evidence is available to support the idea that most funds elevate their standard deviations of returns as their relative performance declines. However, underperforming funds tend to escalate their standard deviations of tracking errors, as validated by Chen et al. (2009). Female investors prioritize safety and a consistent income stream, whereas salaried investors tend to prefer long-term, secure, and profitable investment options, regardless of age, income, occupation, or marital status. Shrestha and Shrestha's (2020) findings highlight

that mutual fund performance, management qualities, and investors' own performance are significant factors that influence mutual fund investment decisions.

### **2.3.5 Relationship between Fund Manager Qualities and Investment Decision Making In Mutual Fund**

According to Arathy et al. (2015), fund managers play a crucial role in the performance of a mutual fund, and their qualities and expertise have a significant impact on the selection of a fund scheme by individual investors. The study further suggests that investors tend to seek expert advice and use credit ratings as a reliable basis for selecting mutual fund schemes. Similarly, Nihar and Bhamidipati (2012) found that investors consider the reputation of the fund sponsor and the association of the fund manager when making investment decisions. They also preferred mutual funds associated with reputed financial institutions. On the other hand, a study conducted in Nepal by Bajracharya and Mathema (2017) found that investors did not have a preference for any specific fund manager. However, other factors such as cost efficiency, experience of the fund manager, and safety of funds were important features that investors took into account when selecting a mutual fund.

### **2.3.6 Relationship between Investors Awareness Level and Investment Decision Making In Mutual Fund**

Investors' decisions in mutual fund investment are multifaceted, shaped by a blend of personal and external factors. Factors such as financial goals, risk tolerance, and time horizon are pivotal in guiding investment choices (Gallery et al., 2010). Moreover, emotional states, life circumstances, and external economic conditions can significantly influence investment decisions (Hilgert et al., 2013). Previous research underscores the substantial impact of investors' awareness levels on their inclination towards mutual funds (Sharma, 2013). However, contrary to some expectations, the educational level of investors does not necessarily correlate with their attitudes towards mutual funds (Parihar, 2009). Emotional factors such as panic or excitement can also sway decisions, underscoring the need for a disciplined investment approach (Gallery et al., 2010). Furthermore, considerations like inflation, economic cycles, and geopolitical risks should be integrated into investment strategies to mitigate potential risks (Hilgert et al., 2013).

Demographic variables also play a significant role in shaping investors' preferences towards mutual funds. Studies have shown that factors like age, profession, and income influence choices related to fund reputation, brand name, and minimum initial investment (Shah & Baser, 2012). Occupation, in particular, seems to exert a more pronounced influence than age in this context (Shah & Baser, 2012). Nevertheless, despite the attractiveness of mutual funds in terms of potential returns and liquidity, a considerable portion of investors still lack sufficient knowledge about their functioning (Singh, 2012). Initiatives aimed at enhancing investor education and awareness are crucial to empower investors to make informed decisions (Singh, 2012). Therefore, addressing both personal and external factors alongside promoting financial literacy remains imperative in facilitating prudent investment decisions in mutual funds (Parihar, 2009).

### **2.3.7 Relationship between Ease of Investment and Investment Decision Making In Mutual Fund**

The relationship between ease of investment and investment decision making in mutual funds is an important aspect to consider. Investors generally prefer to invest in financial securities that are easily tradable, as lack of liquidity could make any investment unattractive. According to Mali (2018), liquidity in mutual funds is a crucial factor for investors. Open-ended schemes, which can be directly bought or sold through fund managers, are considered to be more attractive in terms of liquidity as compared to close-ended schemes that require a market maker or buyer/seller on the other side for completion of the transaction (Alamelu & Indhumathi, 2017). However, entry and exit fees are charged by fund managers in case of open-ended schemes, which have a direct impact on the profitability of the investment. Hence, the fees are an important factor for open-ended mutual fund schemes, as mentioned by Dhar, Salema, & Saha (2017). The availability of selected mutual fund schemes with ease and low entry and exit barriers is vital in promoting and attracting investors.

### **2.3.8 Relationship between Risk Perception of Investors and Investment Decision Making In Mutual Fund**

Investor risk perception plays a crucial role in shaping the potential returns that an investor may attain in their investment choices (Yang & Qiu, 2005). The psychological assessment of risk perception is important in decision-making processes. Managing investors' risk

perception can be achieved through heightened awareness of the various facets of risk and the factors that impact their individual levels of risk perception (Singh & Bhowal, 2009). Maiya (2014) found that investors' age significantly impacts their risk perceptions in investment decisions. Additionally, factors like investors' income and various socio-economic variables have been shown to exert influence on investment choices (Mathur, 2015; Chaudhary et al., 2022). Policymakers should take proactive steps to regulate risk perception during policy implementation (Singh & Bhowal, 2009). MacCrimmon and Wehrung (1990) developed a tool to assess the risk tendency of top executives in 509 global companies. Hoffmann, Post, & Pennings (2013) found that during times of crisis, investor perceptions experience notable shifts, with risk tolerance and risk perceptions displaying relatively lower fluctuations compared to return expectations. Lenard et al. (2003) found that the choice to transfer funds within a fund family is influenced by the investor's stance on risk. The current body of literature underscores the substantial influence of investors' risk perception on their investment decisions, particularly in the context of mutual funds (Sitkin & Pablo, 1995; Sitkin & Weingart, 1995). Investors with a heightened perception of risk tend to avoid investing in mutual funds altogether or invest in them with lower volumes, and take actions to mitigate risk in their investment decisions (Deb & Singh, 2016). Studies have also been conducted to design appropriate risk measurement tools and establish the relationship between risks and returns (Powers, 2009).

## **2.4 Empirical Review**

Ghimire and Adhikari (2023) examined the impact of investment motivation on mutual fund investment decisions by Nepalese investors. The study employed a descriptive and causal comparative research design, with primary data collected through a structured questionnaire survey distributed to 384 individual investors actively trading on the Nepal Stock Exchange (NEPSE). The study found that investor awareness level, fund manager qualities, risk perceptions, and fund performance positively affected mutual fund investment decisions in Nepal. The regression model demonstrated a good fit for the data, explaining 55.8% of the variation in investment decisions. The study also emphasized the significance of effective selection and monitoring processes for mutual fund schemes and the need for transparent reporting practices, access to reliable performance data, and investor-friendly policies. The

study's implications can contribute to the development of the capital market in Nepal by attracting more investors and fostering investor confidence in mutual fund schemes.

Gupta and Singh (2022) conducted a study to identify the determinants of mutual fund investment decisions in the United States. The study utilized investor behavior data to investigate factors such as past performance, fund fees, and investor sentiment in influencing investment choices. The results of the study revealed that past performance and fund fees were the most significant factors in driving mutual fund investment decisions among U.S. investors. The study also showed that investor sentiment had a moderate impact on investment decisions. The findings of the study have important implications for fund managers and financial advisors. Fund managers can use the results to better understand the factors that influence investor decisions and adjust their investment strategies accordingly. Financial advisors can also use the findings to guide their clients in making informed investment decisions. Overall, the study provides valuable insights into the factors driving mutual fund investment decisions in the United States and contributes to the existing literature on investor behavior.

Gondaliya and Yagnik (2021) conducted a study to explore the factors influencing mutual fund investments and investor behavior. The research aimed to investigate investors' objectives, savings patterns, and the factors influencing their buying behavior regarding mutual funds. Data were collected from 95 participants in the Surat district using a structured questionnaire with Likert scale and multiple-choice questions. The questionnaire included multi-response questions, and statistical tests such as frequency analysis, one-sample t-test, and crosstab analysis were employed for data analysis. The study revealed that investors displayed a positive attitude towards mutual fund investments due to various factors such as regular returns, lower risk, a wide range of investment options, diversification, and easy accessibility. Furthermore, the research delved into customer perceptions regarding mutual fund schemes, preferred investment plans, and the reasons underlying their selections. Additionally, the project explored alternative investment options, including postal saving schemes, recurring deposits, bonds, and shares, providing insights into investors' preferences and behaviors beyond mutual funds. Overall, the findings of the study contribute to understanding investor behavior and preferences in the context of mutual fund investments.

By examining factors influencing investment decisions and investor perceptions, the research offers valuable insights for both investors and financial institutions in designing suitable investment products and strategies.

Saleem et al. (2021) conducted a study aiming to provide empirical evidence on the behavior of investors towards mutual funds, focusing on its relationship with risk perception (RP), return perception (Return P), investment criteria (IC), mutual fund awareness (MFA), and financial literacy (FL) in Pakistan. The research collected data through a questionnaire from 500 mutual fund investors, out of which 460 were used for analysis. Utilizing the snowball sampling technique across various cities in Pakistan, the study identified several determinants impacting mutual fund investment behavior. Results indicated that risk perception (RP), return perception (Return P), and mutual fund awareness (MFA) had insignificant and negative effects on investors' behavior. Conversely, investment criteria (IC) exhibited a negative and significant impact on investor behavior, while financial literacy (FL) demonstrated a positive yet insignificant effect. These findings provide valuable insights for investors and policymakers in understanding the factors influencing mutual fund investment behavior.

Rao and Patel (2021) investigated the impact of demographic factors on investment decisions in Indian mutual funds. Through a survey-based approach, the researchers analyzed the influence of variables such as age, income, and education level on investors' decision-making processes. The study provides empirical evidence highlighting the significant role played by demographic characteristics in shaping investors' preferences and attitudes towards mutual fund investments in the Indian market. The findings of the study suggest that demographic factors such as age, income, and education level can significantly affect investment decisions. The study found that younger investors tend to be more risk-tolerant and prefer equity funds, while older investors prefer debt funds. Additionally, the study found that investors with higher income and education levels tend to be more risk-tolerant and invest in equity funds. The study's results reveal that mutual fund providers need to consider investors' demographic characteristics when developing investment products and designing marketing campaigns. By catering to the specific needs and preferences of different investor groups,

mutual fund providers can improve their chances of success in the Indian mutual fund market.

Deepan et al. (2020) carried out a study entitled "Factors Influencing Mutual Fund Investment Decisions-Factor Analysis" analyzes the influence of behavioral and product-related factors on mutual fund investment decisions. The study focuses on the factors that determine the investment decisions of retail investors, such as easy liquidity, high flexibility, and stability of returns, minimum initial investments, tax benefits, and professional management. The study used purposive sampling technique to collect data from 60 investors of different mutual fund schemes in Coimbatore city. Principal Component Analysis was employed to analyze the influence of behavioral and product-related factors on mutual fund investment decisions. The study revealed that the nine fund behavior-related variables were condensed into two factors, namely "external scheme qualities" and "internal scheme qualities." The six product-linked variables were analyzed and grouped as two factors named "Reputation" and "Performance." The results of the study emphasize the importance of tailoring mutual fund schemes to meet the changing needs of investors and recognizing their fund selection behavior. The keywords of the study include factors, mutual fund investment, and decisions-factor.

Kadel (2020) carried out a study titled "Investors' Preference Towards Mutual Fund: An Analytical Evidence From Kathmandu Valley" . The study was conducted within the Kathmandu valley where investors showed high familiarity with fixed deposits, medium familiarity with shares, and low familiarity with bonds, debentures, and money market instruments. The study found that more than two-thirds of the total respondents were in favor of Close Ended Mutual Funds in terms of the preference for the structure of mutual funds. Potential investors of mutual funds preferred family members followed by self-analysis as a medium for getting understanding to create awareness of mutual funds. TV advertisements and print newspapers were found to be effective sources of information for potential investors. The study concludes that mutual funds could be a valuable institution for bridging the gap between individual savers and established businesses in Nepal. It reveals that investors are showing more interest in mutual funds these days. Overall, the study provides useful insights into investors' preferences towards mutual funds in the Nepalese capital

market. The findings of the study could be beneficial for mutual fund companies and asset management firms to design their products and marketing strategies according to the investors' preferences and needs. The study could also serve as a foundation for future research in this field.

Lee and Kim (2020) conducted a study to investigate the impact of information sources on mutual fund investment decisions in South Korea. The study utilized interviews and surveys with investors to examine the influence of different channels of information, such as financial advisors, online platforms, and word-of-mouth recommendations, on investment choices. The results of the study revealed that the accessibility and credibility of information sources played a crucial role in shaping investor decisions. In particular, investors relied on information from financial advisors and online platforms more than word-of-mouth recommendations. The findings of the study have important implications for market participants seeking to improve investor education and communication strategies. By understanding the significance of information accessibility and credibility, financial advisors and online platforms can tailor their services to better meet the needs of investors. The study also highlights the need for investors to critically evaluate the information they receive from various sources.

Shrestha (2020) examined the factors that influence the investment decisions of Nepalese investors in the stock market. The study aimed to analyze the company-related variable (CRV), market-related variable (MRV), and risk and return-related variable (RRV) that impact the investing decisions of Nepalese investors. Data were collected from 110 respondents of Surkhet Valley, using a structured questionnaire containing various types of questions. The study concluded that Nepalese investors prefer to buy stock from the primary market, analyze the company before making an investment decision, and monitor their portfolio occasionally. The study further revealed that most of the investors use their own savings for making an investment in the stock market. According to the study, company-related variables (CRV) have a significant impact on the investment decisions of Nepalese investors compared to market-related variables (MRV) and risk and return-related variables (RRV). The study found a positive and significant coefficient of the company-related variable (CRV) in all regression models, indicating that Nepalese investors make investment

decisions by observing the company-related variables of Nepalese companies. The study's keywords include investment decision, company-related variable (CRV), market-related variable (MRV), risk and return-related variable (RRV).

Shrestha and Shrestha (2020) carried out a study to analyze the investment pattern of Nepalese mutual fund investors and identify the critical factors influencing investment in mutual fund schemes of Nepal. The study used a survey method, and data were collected from 150 mutual fund investors using a structured questionnaire. The results of the study showed that investors in Nepalese mutual fund schemes are moderately averse to risk and preferred mutual fund schemes based on key performance indicators of mutual funds, such as past returns and expense ratio. The study also found that factors such as diversification, transparency, and investment objective were considered important by the investors while selecting mutual fund schemes. Additionally, the study revealed that fund managers' qualities and corporate governance factors were considered important by the investors, but the results were not statistically significant.

Chen and Wang (2019) conducted a study to examine the relationship between risk perception and mutual fund investment decisions in China. Using data from investor surveys, they explored how individual perceptions of risk influence investment behavior and fund selection. The study reveals that investors' risk perceptions play a significant role in shaping their investment decisions, with implications for fund managers and policymakers in the Chinese mutual fund industry. The study found that investors in China tend to have a low risk tolerance and are sensitive to market fluctuations. Moreover, it was found that investors' risk perception is influenced by factors such as age, income, education, and investment experience. The study suggests that younger investors tend to be more risk-tolerant and invest in high-risk funds, while older investors prefer low-risk funds. The study also revealed that investors with higher education levels and investment experience tend to be more risk-tolerant and invest in high-risk funds.

Singal and Manrai (2018) examined the factors affecting investment decisions in mutual funds among retail investors in India. The study highlighted the growing popularity of mutual fund investments in the Indian financial market, which enables retail investors to invest their

savings in the professional funds management system with ease. The study emphasized the less risky nature of mutual fund investments as compared to equity investments, combined with professional management and moderate returns, making it an attractive option for risk-averse investors. The study aimed to identify the factors influencing investment decisions in mutual funds and the impact of behavioral factors on investor decisions. The study revealed that investor perception plays a significant role in the investment decision-making process. The level of awareness and the impact of the date of inception of the fund were found to be significant factors in guiding the investment decision-making process of retail investors. The findings of the study provide insights for mutual fund companies to identify areas for improvement and develop effective marketing strategies. The study also highlights the importance of creating new and innovative products based on the orientation of investors. Overall, the study provides valuable insights into the factors affecting investment decisions in mutual funds among retail investors in India. By understanding these factors, mutual fund companies and financial advisors can develop effective investment strategies and improve investment outcomes.

Tamilselvan and Mohanraj (2018) investigated the factors influencing mutual fund investment decisions among retail investors in India. The study focused on demographic factors, such as gender, age, educational qualification, occupation, marital status, number of earning members in the family, and monthly savings of the investors, and analyzed their impact on investment decisions. The study revealed that investors' age, occupation, and educational qualification significantly influenced their investment decisions in mutual funds. The findings of the study provide insights for investors and financial advisors in making informed investment decisions. The study highlights the potential benefits of mutual fund investments for investors in India, particularly those lacking knowledge in stock markets and other financial institutions. However, the study also points out the pitfalls of mutual fund investments, which may vary depending on investors' attitudes and behaviors. Overall, the study provides valuable insights into the factors determining mutual fund investment decisions among retail investors in India. By understanding these factors, investors and financial advisors can make informed decisions and develop effective investment strategies.

Dhar, Salema, and Saha (2017) conducted an empirical study to explore the factors influencing individual investor behavior in the context of mutual fund investments in Dhaka City. The research aimed to identify the key drivers that impact investors' decisions to invest in mutual funds, considering the growing interest and awareness among investors in Bangladesh. Through a structured questionnaire administered to 103 respondents using a 5-point Likert scale, the study collected primary data from October 2017 to December 2017. Employing exploratory factor analysis techniques, including principal component analysis, KMO measure of sampling adequacy, Bartlett's test of sphericity, and varimax rotation method, the authors extracted two underlying factors influencing mutual fund investment decisions: intrinsic features of the fund and income features of the fund. Intrinsic features encompassed aspects such as the reputation of the fund manager, scheme diversification, simplicity of investment, growth prospects, brand name, entry and exit loads, scheme risk, and asset quality. Income features included return performance and tax benefits for investors. The findings of the study contribute to the existing literature on mutual fund investment behavior in Bangladesh, offering insights into investors' decision-making processes and providing valuable implications for mutual fund companies and managers in designing suitable schemes for investors.

Vyas (2012) carried out a study titled "Mutual Fund Investor's Behaviour and Perception in Indore City". The study aimed to understand and analyze the perception and expectations of mutual fund investors in the city. The research focused on several factors that highlight investors' perception about mutual funds. The study found that although mutual funds have become popular among investors due to their convenient nature and good returns, many investors still rely on bank and post office deposits. The paper revealed that equity options and SIP mode of investment were on top priority in investors' list. However, many investors did not analyze the risk in their investment and depended on their broker and agent for this work. The research paper emphasizes the need for unification in correspondence with investor's expectations to design mutual fund portfolios that satisfy retail investors. The keywords of the paper include investor behavior, risk-return analysis, investment preference, SIP, STP, investor education, investment psychology, and more.

## 2.4.1 Summary of Empirical Review

**Table 2.1**

*Major Findings from literature Review*

<b>Researcher and Year</b>	<b>Empirical Findings</b>
Ghimire and Adhikari (2023)	Explored the impact of investment motivation on mutual fund investment decisions in Nepal. Found investor awareness, fund manager qualities, and fund performance positively affecting investment decisions. Emphasized the importance of transparent reporting practices and investor-friendly policies.
Gupta and Singh (2022)	Identified determinants of mutual fund investment decisions in the United States, including past performance and fund fees. Found moderate impact of investor sentiment. Provided insights for fund managers and financial advisors in adjusting investment strategies.
Gondaliya and Yagnik (2021)	Explored factors influencing mutual fund investments and investor behavior in Surat, India. Revealed positive attitudes towards mutual fund investments due to various factors such as regular returns and diversification. Provided insights for investors and financial institutions in designing suitable products and strategies.
Saleem et al. (2021)	Investigated the behavior of investors towards mutual funds in Pakistan. Found risk perception, return perception, and mutual fund awareness insignificantly affecting investor behavior, while investment criteria and financial literacy exhibited significant impacts. Provided insights for investors and policymakers in understanding mutual fund investment behavior.

Rao and Patel (2021) Examined the impact of demographic factors on investment decisions in Indian mutual funds. Found age, income, and education level significantly influencing investment decisions. Highlighted implications for mutual fund providers in developing targeted products and marketing campaigns.

Deepan et al. (2020) Analyzed the influence of behavioral and product-related factors on mutual fund investment decisions in Coimbatore, India. Identified external and internal scheme qualities, as well as reputation and performance, as significant factors. Emphasized the importance of tailoring mutual fund schemes to meet investors' changing needs.

Kadel (2020) Explored investors' preferences towards mutual funds in Kathmandu Valley, Nepal. Found high familiarity with fixed deposits and moderate with shares, while more than two-thirds preferred Close Ended Mutual Funds. TV advertisements and print newspapers were effective sources of information. Provided insights for mutual fund companies in Nepal.

Lee and Kim (2020) Investigated the impact of information sources on mutual fund investment decisions in South Korea. Found accessibility and credibility of information sources crucial, with investors relying more on financial advisors and online platforms. Highlighted implications for improving investor education and communication strategies.

Shrestha (2020) Examined factors influencing investment decisions of Nepalese investors in the stock market. Found company-related variables significantly impacting investment decisions. Provided insights for investors and policymakers in Nepal.

Shrestha and Shrestha (2020) Analyzed the investment pattern of Nepalese mutual fund investors. Found moderate risk aversion and preferences for mutual fund schemes based on performance indicators. Emphasized factors such as diversification, transparency, and fund manager qualities.

Chen and Wang (2019)	Explored the relationship between risk perception and mutual fund investment decisions in China. Found that investors' risk perceptions significantly influenced their investment decisions, with implications for fund managers and policymakers. Highlighted the influence of age, income, education, and investment experience on risk perception.
Singal and Manrai (2018)	Highlighted the growing popularity of mutual fund investments in India among retail investors due to less risk, professional management, and moderate returns. Investor perception, awareness level, and the date of fund inception were significant factors guiding investment decisions. Provided insights for mutual fund companies to improve marketing strategies and develop innovative products.
Tamilselvan and Mohanraj (2018)	Examined demographic factors influencing mutual fund investment decisions among retail investors in India. Found age, occupation, and educational qualification significantly influencing investment decisions. Provided insights for investors and financial advisors in making informed investment decisions.
Dhar, Salema, and Saha (2017)	Identified intrinsic and income features as key drivers of individual investor behavior in mutual fund investments in Dhaka City. Intrinsic features included fund manager reputation, scheme diversification, simplicity of investment, while income features encompassed return performance and tax benefits. Provided insights for mutual fund companies and managers in designing suitable schemes for investors.
Vyas (2012)	Revealed that although mutual funds are popular among investors in Indore City due to convenience and good returns, many investors still prefer bank and post office deposits. Equity options and SIP mode of investment were top priorities, but many investors did not analyze the risk and relied on brokers and agents. Emphasized the need for aligning mutual fund portfolios with investor expectations.

## 2.5 Research Gap

The research landscape on factors influencing investment decision-making in mutual funds encompasses both national and international studies, shedding light on various facets of investor behavior and preferences. Internationally, studies such as those by Chen and Wang (2019) in China and Singal and Manrai (2018) in India have delved into the intricate relationship between risk perception, fund performance, and investor behavior. These studies provide valuable insights into the global dynamics of mutual fund investments and offer a broader perspective on the factors driving investor decisions in diverse market environments.

In contrast, national research within Nepal, like that conducted by Shrestha and Shrestha (2020), has focused on analyzing the investment patterns and preferences of Nepalese mutual fund investors. Such studies provide context-specific insights into the unique challenges and opportunities present in the Nepalese financial market. However, there remains a research gap in specifically addressing the factors influencing investment decision-making among mutual fund investors in Nepal, which necessitates further investigation.

While studies such as those by Vyas (2012) in India and Ghimire and Adhikari (2023) in Nepal have explored investor behavior in the context of mutual funds, there is limited research specifically examining the Nepalese mutual fund market. The lack of comprehensive studies addressing this aspect highlights the need for research that focuses explicitly on understanding the factors driving investment decisions among mutual fund investors in Nepal. By bridging this gap, the proposed research aims to contribute to the growing body of knowledge on investor behavior in emerging markets like Nepal.

Furthermore, international studies like that of Gupta and Singh (2022) in the United States and Tamilselvan and Mohanraj (2018) in India offer insights into the global trends and factors influencing mutual fund investment decisions. By drawing parallels between international findings and the Nepalese context, researchers can gain a more nuanced understanding of the factors at play in shaping investor behavior. This comparative analysis can enrich the discourse on mutual fund investments in Nepal and inform the development of tailored strategies to cater to the needs of local investors.

There is a scarcity of comparative studies that analyze how the factors influencing mutual fund investments in Nepal differ from or align with those in other countries. Such comparative insights could offer a more nuanced understanding of global versus local investor behavior.

Existing research on the Nepalese mutual fund market is limited and does not provide a comprehensive analysis of the multifaceted factors, such as risk perception, performance expectations, and socio-cultural influences that drive investment decisions in Nepal. This gap highlights the need for in-depth, focused studies to inform better investment strategies and policies tailored to Nepal's financial landscape.

In summary, while both national and international research has contributed significantly to understanding investor behavior in mutual funds, there exists a research gap in specifically addressing the factors influencing investment decision-making among mutual fund investors in Nepal. The specific research gap in the current literature is the lack of comprehensive studies that explicitly address the unique factors influencing investment decision-making among mutual fund investors in Nepal. Although some research exists on general investor behavior within the Nepalese context, there is insufficient analysis focused on the particular elements that affect mutual fund investment decisions. These elements include, but are not limited to, risk perception, fund performance, ease of investment, and investor awareness levels. Detailed, context-specific research is needed to explore how Nepalese investors perceive and respond to risk in mutual fund investments, the impact of mutual fund performance on their investment decisions, the role of ease of investment processes, and how awareness and knowledge about mutual funds affect their choices. Additionally, identifying any other unique factors specific to the Nepalese market that influence mutual fund investment decisions is crucial. Addressing this gap will provide a deeper understanding of the drivers behind mutual fund investment decisions in Nepal and offer practical insights for investors, mutual fund companies, and policymakers to better cater to the needs of local investors.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the methodology used to explore the factors influencing investors' decision-making in mutual funds in Nepal. It elucidates the rationale behind the chosen methodology, defines the research design, elaborates on the research approach, discusses data collection methods, and explains data analysis techniques. By employing a systematic approach, this chapter aims to enhance the trustworthiness and credibility of the research outcomes.

#### **3.2 Research Design**

This study has adopted a dual research design to comprehensively examine the factors affecting investors' decision-making in mutual funds in Nepal. The research design integrates both descriptive and causal comparative research design to analyze the effect of mutual fund performances, fund manager qualities, investor awareness level, ease of investment and investors' risk perception in investment decision.

The research design adopted in similar studies, such as a paper on "Factors Influencing Investment in Mutual Fund Schemes of Nepal" by Shrestha and Shrestha (2020), employs a combination of descriptive and explanatory methodologies. This approach allows for a comprehensive exploration of the factors affecting investment decisions in mutual fund schemes in Nepal.

Descriptive research design aims to provide a detailed overview of a phenomenon under study. It describes the characteristics, behaviors, and patterns of the subject being investigated (Creswell, 2014). The descriptive research design aims to gather detailed information concerning various aspects of investors' decision-making in mutual funds. It seeks to outline investors' demographic characteristics, investment preferences, risk perceptions, and the factors influencing their investment decisions through surveys, questionnaires, and data analysis.

On the other hand, causal comparative research design was used to identify the causal relationships between variables. It involves testing hypotheses and understanding the underlying mechanisms that drive the phenomenon under study (Creswell, 2014). The explanatory research design delves deeper into understanding the underlying mechanisms guiding investors' decisions. It aims to uncover causal relationships between different variables and explore the driving forces behind investors' behavior in mutual funds using hypothesis testing, statistical analysis, and modeling techniques.

By integrating both methodologies, the research design aims to provide a holistic understanding of the factors influencing investors' decision-making in Nepal's mutual fund industry.

### **3.3 Population Sample, and Sampling Design**

#### **3.3.1 Population**

The population of this study comprises mutual fund investors in Nepal. This includes individuals who have invested or are actively considering investing in mutual funds offered by various financial institutions operating in Nepal. The population encompasses a diverse range of investors with varying levels of experience, risk tolerance, investment objectives, and demographic characteristics. By targeting this population, the study aims to investigate the factors influencing investment decision-making among mutual fund investors in Nepal and provide insights relevant to this specific group of stakeholders.

#### **3.3.2 Sample and Sampling Design**

The sample for this study consisted of 370 mutual fund investors from Nepal, drawn from the population of mutual fund investors in the Kathmandu Valley region. Participants were selected to ensure geographic representation and diversity, covering different neighborhoods, socioeconomic backgrounds, and communities within the Kathmandu, Lalitpur, and Bhaktapur districts. The sample included both male and female investors, with 150 participants from Kathmandu, 120 from Lalitpur, and 100 from Bhaktapur. This diverse selection aimed to provide a comprehensive understanding of the factors influencing investment decision-making among mutual fund investors in the region.

Given practical constraints, convenience sampling was adopted to select readily available participants, although this method may introduce potential biases. However, it enabled efficient data collection within resource limitations.

Given the unknown population size, this sampling method was chosen to ensure that the study's findings are statistically significant and representative. To determine the sample size, a formula was used based on a 95% confidence level, 5% margin of error, and estimated population proportion of 0.5. For example, using a confidence level of 95% ( $Z = 1.96$ ), a margin of error of 5% ( $E = 0.05$ ), and a proportion of 0.5 ( $p = 0.5$ ), the calculated sample size was approximately 370. Given that the population size is unknown, using this sampling method is particularly advantageous. Using this formula, a sample size of 370 was calculated, which should provide enough confidence in the study's findings while accommodating practical constraints.

Overall, this sampling method effectively addresses the challenge of an unknown population size by using conservative estimates and ensuring diverse representation, thereby providing a reliable and generalizable understanding of mutual fund investment decision-making in the Kathmandu Valley.

### **3.4 Nature and Sources of Data**

The data for this study is primarily derived from primary sources, specifically through the administration of questionnaires to mutual fund investors in Nepal.

Primary data refers to information collected firsthand for the purpose of the study. In this research, primary data is obtained directly from the target population, which comprises mutual fund investors in Nepal. The primary data collected through questionnaires include investors' demographic characteristics, investment preferences, risk perceptions, awareness levels, and factors influencing their investment decisions. This primary data source provides direct insights into investors' behavior and decision-making processes related to mutual fund investments in Nepal.

The questionnaire serves as the primary instrument for data collection in this study. It is designed to gather relevant information from mutual fund investors and is tailored to address

the research objectives and hypotheses. The questions are structured to capture detailed responses from participants, ensuring comprehensive coverage of the factors influencing investment decision-making in mutual funds.

While the study primarily relies on primary data, secondary data sources may also be consulted to provide background information, context, and supplementary insights into mutual fund investments in Nepal. These secondary data sources include academic journals, articles, reports, and publications related to mutual funds, financial markets, and investor behavior in Nepal.

Overall, the study's data is primarily derived from primary sources, particularly through the administration of questionnaires to mutual fund investors in Nepal. This primary data source is complemented by secondary data to provide a comprehensive understanding of the factors influencing investment decision-making in mutual funds within the Nepalese context.

### **3.5. Data Collection Instrument**

The data collection instrument utilized for this study is a structured questionnaire tailored to gather quantitative data pertaining to factors influencing investment decision-making among mutual fund investors in Nepal. The questionnaire comprises three main sections:

#### **Section A: Demographic Information**

This section aims to collect demographic details about the respondents, including their age, gender, education level, occupation, income level, and investment experience. These demographic variables provide essential context and enable subgroup analysis to discern potential patterns or trends among different investor profiles.

#### **Section B: Independent Variables Statements**

In this section, respondents are presented with statements related to independent variables influencing investment decision-making in mutual funds. These statements encompass factors such as mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception. Respondents express their agreement or

disagreement with each statement using a 5-point Likert scale (Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, and Strongly Agree=5).

### Section C: Dependent Variable Statement

This section consists of a single statement related to the dependent variable, which is investment decision-making among mutual fund investors in Nepal. Respondents utilize the Likert scale to indicate their agreement or disagreement with the statement, providing insights into their perceptions of investment decision-making.

The structured questionnaire is meticulously designed to facilitate systematic data collection and analysis. Each section is crafted to capture pertinent information and enable statistical analysis of the factors influencing investment decision-making among mutual fund investors in Nepal. By administering this instrument to mutual fund investors, the study aims to derive empirical evidence and actionable insights to enhance understanding and inform decision-making in the Nepalese mutual fund market.

The questionnaire was developed using Google Forms and disseminated to respondents through various channels, including email, social media platforms, and hard copies. This multi-channel approach ensured accessibility and convenience for participants, enabling them to complete the questionnaire online or in hard copy format based on their preferences and technological access. Out of 385 questionnaires distributed, 370 were received, resulting in a response rate of 96.10 %.

### **3.6 Data Analysis Method**

Following data collection, the responses were coded and entered into MS Excel for analysis. Statistical software, specifically Statistical Package for the Social Sciences (SPSS), version 25, was utilized to conduct quantitative analysis of the data. The Likert scale responses were converted into numerical values, and descriptive statistics were employed to summarize the data.

#### **Descriptive Analysis**

Descriptive statistics, including measures such as mean, median, mode, standard deviation

and frequency distributions, were utilized to summarize and describe the characteristics of the variables under investigation. This analysis provided an overview of the survey responses, identifying key trends and patterns in the data.

### **Inferential Analysis**

Inferential statistical techniques, including correlation analysis, regression analysis, and analysis of variance (ANOVA), were applied to explore relationships among variables and test hypotheses concerning the impact of independent variables on dependent variables. Regression analysis, in particular, was used to assess the strength and direction of relationships between independent variables (e.g., mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and risk perception) and the dependent variable (i.e., investment decision-making among mutual fund investors in Nepal).

The data analysis was conducted using SPSS, Version 25, and the results were interpreted to draw conclusions and insights regarding the factors influencing investment decision-making in mutual funds in Nepal. These findings were presented in the research report using tables, charts, and narrative summaries to facilitate comprehension and discussion.

### **Model Specification**

Regression analysis is conducted to estimate the coefficients of the independent variables and assess their significance in explaining variations in the dependent variable. The regression model is specified as follows:

$$DV = \beta_0 + \beta_1 IV_1 + \beta_2 IV_2 + \dots + \beta_n IV_n + \varepsilon$$

Where:

- $DV$  represents the dependent variable (investment decision-making among mutual fund investors).
- $IV_1, 2, \dots, IV_n$  represent the independent variables (mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, risk perception).

- $\beta_0, \beta_1, \beta_2, \dots, \beta_n$  are the coefficients of the independent variables.
- $\varepsilon$  is the error term.

The regression coefficients ( $\beta$ ) indicates the magnitude and direction of the relationship between each independent variable and the dependent variable. Statistical tests are conducted to determine the significance of these coefficients, providing insights into the strength of the relationships.

Overall, the model specification involves using regression analysis to assess how various factors influence investment decision-making among mutual fund investors in Nepal, providing valuable insights for both academia and practitioners in the financial sector.

### **3.7 Reliability**

In research, reliability is a crucial concept that refers to the stability and consistency of a measure or test. Cronbach's alpha is a commonly used statistical method to assess reliability and provides an estimate of the internal consistency of a scale or test. Cronbach's alpha ranges from 0 to 1, where higher values indicate greater internal consistency (Cronbach, 1951).

According to Nunnally and Bernstein (1994), Cronbach's alpha values above 0.70 are generally considered acceptable for research purposes, while values above 0.80 are considered good, and values above 0.90 are considered excellent. The survey instrument used to measure factors influencing investors' decision-making in mutual funds in Nepal underwent a reliability analysis, and the results are presented in Table 3.1. The analysis demonstrates the consistency of responses across items related to mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, risk perception, and investors' decision-making in mutual funds.

**Table 3.1**

*Reliability Statistics*

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>No of Items</b>
Mutual fund Performance	0.763	4
Fund Manager Qualities	0.830	4
Investors' Awareness Levels	0.724	4
Ease of Investment	0.819	4
Risk Perception	0.797	4
Regulatory Framework	0.824	4
Investors' Decision-Making in Mutual Funds	0.711	4
<b>Overall</b>	<b>0.862</b>	<b>28</b>

*Source: Survey Questionnaire, 2024*

The table 3.1 provides Cronbach's Alpha coefficients for each variable measured in the study, along with the number of items comprising each variable. Cronbach's Alpha assesses the internal consistency reliability of the measurement items, with values ranging from 0 to 1. Higher values indicate greater internal consistency among the items. In this study, all variables demonstrate acceptable levels of internal consistency, with Cronbach's Alpha values ranging from 0.711 to 0.862. This suggests that the measurement instruments reliably capture the constructs under investigation.

### **3.8 Validity**

Validity is the degree to which a study accurately measures what it purports to measure (Polit & Beck, 2017). It encompasses the accuracy and truthfulness of study results, crucial for

establishing the credibility of findings and their applicability in informing policy decisions and future research endeavors. Validity ensures that the findings obtained from the study accurately reflect the true nature of investors' decision-making processes and can be relied upon to inform investment strategies and policies in Nepal's mutual fund market.

To ensure validity, several measures were undertaken. Firstly, a comprehensive literature review was conducted to identify and conceptualize the key factors influencing investors' decision-making in mutual funds. This step ensured that the study's conceptual framework encompassed all relevant variables and dimensions, aligning with existing theoretical frameworks and empirical evidence.

Secondly, a structured questionnaire was designed based on the conceptual framework, encompassing items that directly measure the identified factors. Careful attention was paid to the clarity, relevance, and comprehensiveness of questionnaire items to ensure that they accurately capture investors' perceptions, attitudes, and behaviors related to mutual fund investment decision-making.

Furthermore, a pilot test was conducted with a small sample of participants to assess the clarity, coherence, and comprehensibility of the questionnaire. Participants' feedback from the pilot test was used to refine and improve the questionnaire, ensuring that it effectively measures the intended constructs and minimizes response biases and misinterpretations.

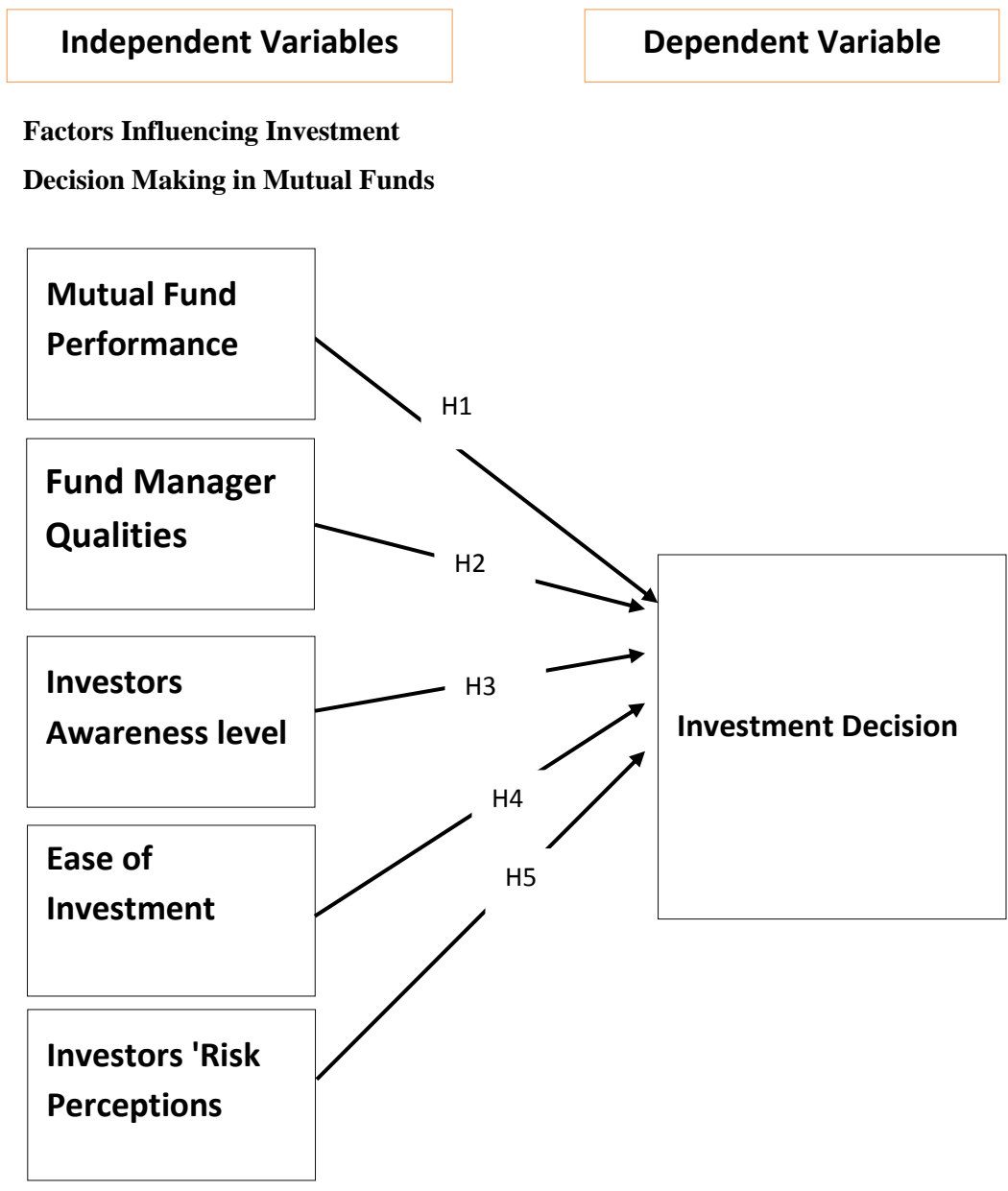
### **3.9 Conceptual Framework**

The conceptual framework of this study aims to understand the factors that influence investment decision-making among mutual fund investors in Nepal. It consists of five independent variables (IVs) that are hypothesized to impact investors' decisions. Firstly, mutual fund performance, including returns and volatility, is expected to play a significant role in shaping investors' choices. Secondly, fund manager qualities, such as expertise and reputation, are anticipated to influence investor perceptions and their decision-making process. Thirdly, investors' awareness levels about mutual funds and financial markets are considered crucial, as higher awareness may lead to better-informed investment decisions. Fourthly, ease of investment, reflecting the accessibility and user-friendliness of the

investment process, is another critical IV that may affect decision-making. Lastly, investors' risk perception, shaped by market conditions and personal risk tolerance, is expected to influence the degree of risk investors are willing to take.

These IVs contribute to the dependent variable (DV), investment decision-making, which encompasses the choices investors make regarding which mutual funds to invest in, based on their evaluations of the IVs. The relationships between the IVs and the DV are dynamic, with each factor exerting varying degrees of influence on investors' decisions. Some factors may have a more pronounced impact, while others may contribute indirectly or interact with one another to shape investors' overall decision-making process. By exploring these relationships, the study aims to uncover the complexities of investment decision-making in the context of mutual funds in Nepal.

Visualizing this conceptual framework in a figure would help to provide a graphical representation of the relationships between the IVs and the DV, making it easier to understand the factors influencing mutual fund investment decisions. Such a visual aid would highlight the interconnectedness of the variables and underscore the multidimensional nature of investment decision-making. Furthermore, it would serve as a roadmap for the empirical analysis, guiding the investigation into the relative importance and interplay of each variable in shaping investors' decisions. Figure 2.1 provides a clear and concise overview of the theoretical underpinnings guiding the empirical investigation into the factors influencing investors' decision-making in Mutual Funds in Nepal.



*Figure 3.1 Conceptual Framework for Factors Influencing Investors' Decision-Making in Mutual Funds in Nepal*

*Source: Shrestha, & Shrestha (2020)*

**3.9.1 Definition of Variables**

In the study several independent variables (IV) and dependent variables (DV) were investigated to determine the factors influencing investors' decision-making in mutual funds in Nepal

### **Independent Variables (IVs)**

#### **Mutual Fund Performance**

Mutual fund performance, the measure of return on investment generated by a mutual fund over a specified period, is a multifaceted concept influenced by factors such as fund manager expertise, investment strategy, portfolio composition, market conditions, and associated fees. Various metrics, including Jensen's Alpha, the Sharpe Ratio, and the Treynor Ratio, have been developed to evaluate different aspects of performance, such as risk-adjusted returns and consistency in achieving investment objectives. Research, exemplified by Carhart's seminal study on persistence in mutual fund performance, continues to delve into factors affecting performance, such as fund expenses, turnover, and load fees, aiming to provide investors with insights into optimizing investment decisions (Carhart, 1997).

#### **Fund Manager Qualities**

Fund manager qualities encompass a diverse set of skills and attributes crucial for effectively managing investment portfolios and delivering superior returns to investors. These qualities often include strong analytical abilities, a deep understanding of financial markets and investment strategies, sound decision-making skills, effective communication, and the ability to manage risk. Research suggests that successful fund managers also exhibit traits such as discipline, patience, adaptability, and a long-term perspective. For instance, a study by Cremers and Petajisto (2009) on active share a measure of how actively a portfolio manager deviates from the benchmark found that funds with higher active share tend to outperform their benchmarks, indicating the importance of active management and conviction in investment decisions (Cremers & Petajisto, 2009).

#### **Investors' Awareness Levels**

Investors' awareness levels refer to their understanding of financial markets, investment products, and associated risks. Higher awareness levels are typically associated with informed decision-making, better portfolio management, and improved financial outcomes. Factors influencing investors' awareness include education, experience, access to information, and financial literacy initiatives. Research in this area often focuses on measuring and enhancing investors' awareness to promote financial well-being and market efficiency. For instance, a study by Lusardi and Mitchell (2011) found that financial literacy programs significantly improve individuals' financial knowledge and decision-making skills, highlighting the importance of educational interventions in enhancing investors' awareness levels (Lusardi & Mitchell, 2011).

### **Ease of Investment**

Ease of investment refers to the level of simplicity and accessibility investors experience when participating in financial markets or accessing various investment products. This concept encompasses factors such as user-friendly platforms, transparent processes, and low barriers to entry, and efficient transaction mechanisms, all of which contribute to a seamless investing experience. Research often explores the impact of ease of investment on investor behavior, market participation, and overall financial inclusion. A study by Beck et al. (2007) found that improving access to financial services and simplifying investment processes can enhance financial inclusion and promote economic growth, underscoring the significance of ease of investment in fostering broader market participation and wealth creation (Beck, Demirgüç-Kunt, & Levine, 2007).

### **Investors' Risk Perceptions**

Investors' perceptions of risk are a crucial factor in financial decision-making, influencing asset allocation, investment strategies, and overall portfolio management. These perceptions are shaped by a variety of factors, such as individual risk tolerance, past experiences, financial goals, and psychological biases. Research in this field examines how investors perceive different types of risks, such as market risk, credit risk, and liquidity risk, and how these perceptions influence their investment decisions. Studies have found that individual investors tend to overestimate their ability to control investment outcomes and underestimate

the risks involved, leading to suboptimal investment choices and lower returns (Barber & Odean, 2001).

### **Dependent Variable (DV)**

#### **Investors' Decision-Making in Mutual Funds**

Investors' decision-making in mutual funds is a crucial aspect of financial markets. Mutual funds are a popular investment vehicle that pools money from various investors and invests in a diversified portfolio of securities such as stocks, bonds, and other financial assets. When deciding to invest in mutual funds, investors consider several factors such as the fund's past performance, fees, investment objectives, and risk tolerance. Studies often explore the impact of these factors on investor behavior, investment choices, and overall portfolio performance Kaur (2019). A study by Das and Kaur (2019) found that investors' past performance experience significantly influences their investment decision-making in mutual funds, emphasizing the importance of considering historical performance when making investment choices.

## **CHAPTER – IV**

## PRESENTATION AND ANALYSIS OF DATA

### 4.1 Introduction

This chapter presents and discusses the study's findings to answer the research questions and test the hypothesis introduced earlier. The results section analyzes the collected data, using tables and figures for clarity, and applies appropriate statistical methods to extract meaningful insights. The discussion section interprets these results in light of relevant theories and previous empirical studies, examining consistencies and discrepancies, and addressing potential biases and limitations. This synthesis aims to provide a comprehensive understanding of the factors influencing investors' decision-making in Nepalese mutual fund schemes, setting the stage for conclusions and implications presented in the following chapter.

### 4.2 Demographic characteristics of the respondents

This section provides information about the demographic characteristics of the respondents. Understanding these characteristics is crucial as they can influence investment decision-making and provide context to the study's findings. The demographic variables considered include age, gender, education level, occupation, and income level. Each demographic factor is analyzed to understand its distribution among the respondents.

**Table 4.1**

*Gender*

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	230	62.2%
Female	140	37.8%
<b>Total</b>	<b>370</b>	<b>100.0 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.1 reveals the gender distribution among the respondents, shedding light on the demographic characteristics of participants in the study investigating factors influencing investment decision-making in Nepalese mutual fund schemes. With 62.2% of respondents

identified as male and 37.8% as female, these findings underscore the need to examine potential gender differences in investment behaviors and decision-making processes. Such disparities may have implications for the generalizability of the study's conclusions and highlight the importance of considering gender-related factors in understanding investor preferences and behaviors within the Nepalese mutual fund market.

**Table 4.2**

*Age Groups*

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
Below 25	50	13.5 %
25-34	120	32.4 %
34-44	90	24.3 %
45-54	70	18.9 %
Above 55	40	10.8 %
<b>Total</b>	<b>370</b>	<b>100 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.2 presents the age distribution within the respondents participating in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The data illuminates distinct age brackets, ranging from individuals below 25 to those above 55, each representing a proportion of the total sample. Understanding the age demographics of respondents is pivotal in comprehending how age influences investment behaviors and decision-making processes. For instance, younger individuals may exhibit different risk appetites and investment preferences compared to older counterparts. These findings provide a foundational understanding of how age dynamics intersect with investment decisions, thereby informing targeted strategies for investor education and financial planning initiatives tailored to different age groups within the Nepalese mutual fund market.

**Table 4.3**

*Marital Status*

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Married	280	75.7 %
Unmarried	90	24.3 %
<b>Total</b>	<b>370</b>	<b>100 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.3 highlights the marital status distribution among respondents participating in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The majority of respondents, constituting 75.7% of the sample, are married, while the remaining 24.3% are unmarried. Understanding the marital status composition of the respondent pool is crucial for comprehending how personal relationships and financial responsibilities may influence investment behaviors and decision-making processes. For instance, married individuals may prioritize long-term financial goals and consider joint financial planning strategies, whereas unmarried individuals might exhibit different risk appetites and investment preferences. These findings offer valuable insights into the demographic characteristics of the study's participants and underscore the need for tailored approaches to investor education and financial planning initiatives within the Nepalese mutual fund market.

**Table 4.4**

*Employment Status*

<b>Employment Status</b>	<b>Frequency</b>	<b>Percentage</b>
Below SLC	10	2.7 %
SLC	40	10.8 %
Intermediate (+2)	60	16.2 %
Bachelor	150	40.5 %
Masters	90	24.3 %
Above Masters	20	5.4 %
<b>Total</b>	<b>370</b>	<b>100 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.4 presents the educational background distribution among respondents in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The

data reveals a diverse educational profile within the respondent pool, with the majority holding Bachelor's degrees (40.5%) followed by those with Intermediate (16.2%) and Masters (24.3%) qualifications. This educational diversity is integral to understanding how different levels of academic attainment may impact investment behaviors and decision-making processes. Individuals with higher educational qualifications may possess greater financial literacy and analytical skills, potentially influencing their investment strategies and risk perceptions. Conversely, respondents with lower educational levels, such as Below SLC and SLC, may exhibit different investment preferences and require tailored approaches to investor education initiatives. These findings underscore the importance of considering educational backgrounds in designing effective financial planning and investor education programs within the Nepalese mutual fund market.

**Table 4.5**

*Occupation*

<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
Government Employee	60	16.2 %
Private Employee	120	32.4 %
Business Owner	60	16.2 %
Students	80	21.6 %
Retired	50	13.5 %
<b>Total</b>	<b>370</b>	<b>100.00 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.5 provides insights into the occupational distribution among respondents in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The data reveals a diverse range of occupations represented within the respondent pool, with the highest proportion being private employees (32.4%), followed closely by government employees (16.2%) and students (21.6%). Additionally, business owners and retired individuals account for 16.2% and 13.5% of respondents, respectively. Understanding the occupational composition of respondents is crucial for discerning how different occupational

roles and income sources may impact investment behaviors and decision-making processes. For instance, private employees and government employees may have varying risk tolerances and investment preferences based on factors such as job stability and income levels. Similarly, students and retired individuals may exhibit different investment goals and strategies owing to their unique financial circumstances. These findings underscore the significance of considering occupational diversity in tailoring investor education initiatives and financial planning strategies within the Nepalese mutual fund market.

**Table 4.6**

*Annual Income*

<b>Annual Income Level</b>	<b>Frequency</b>	<b>Percentage</b>
Less than NPR 500,000	90	24.3 %
NPR 500,000 - NPR 1,000,000	120	32.40 %
NPR 1,000,001 - NPR 2,000,000	100	27.0 %
Above NPR 2,000,000	60	16.2 %
<b>Total</b>	<b>370</b>	<b>100.00</b>

*Source: Survey Questionnaire, 2024*

Table 4.6 outlines the distribution of respondents' annual income levels in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The data demonstrates a varied range of income brackets among respondents, with the highest frequency observed in the NPR 500,000 - NPR 1,000,000 category, comprising 32.4% of the sample. Additionally, 24.3% of respondents reported an annual income of less than NPR 500,000, while 27.0% fell within the NPR 1,000,001 - NPR 2,000,000 range. Furthermore, 16.2% of respondents indicated an income level above NPR 2,000,000. Understanding the distribution of income levels among respondents is vital for discerning how financial resources may influence investment behaviors and decision-making processes. For instance, individuals with higher income levels may have different risk tolerances and investment preferences compared to those with lower incomes, impacting their investment strategies and financial goals. These findings underscore the importance of considering income diversity in

designing tailored financial planning initiatives and investor education programs within the Nepalese mutual fund market.

**Table 4.7**

*Annual Savings*

<b>Annual Savings</b>	<b>Frequency</b>	<b>Percentage</b>
Less than NPR 100,000	60	16.2 %
NPR 100,000 - NPR 500,000	140	37.8 %
NPR 500,001 - NPR 1,000,000	100	27.0 %
Above NPR 1,000,000	70	18.9 %
<b>Total</b>	<b>370</b>	<b>100.00 %</b>

*Source: Survey Questionnaire, 2024*

Table 4.7 shows the annual savings distribution among respondents in the study on factors influencing investment decision-making in Nepalese mutual fund schemes. The data reveals a diverse spectrum of annual savings levels within the respondent pool, with the majority falling within the NPR 100,000 - NPR 500,000 range, constituting 37.8% of the sample. Additionally, 27.0% of respondents reported annual savings between NPR 500,001 and NPR 1,000,000, while 18.9% indicated savings above NPR 1,000,000. Understanding the distribution of annual savings among respondents is pivotal for comprehending how financial resources may influence investment behaviors and decision-making processes. For instance, individuals with higher annual savings may exhibit different risk appetites and investment preferences compared to those with lower savings, impacting their investment strategies and financial goals. These findings underscore the importance of considering savings diversity in designing tailored financial planning initiatives and investor education programs within the Nepalese mutual fund market.

**Table 4.8**

*Size of Investment in Mutual Fund Schemes (Percentage of Portfolio)*

<b>Size of Investment</b>	<b>Frequency</b>	<b>Percentage</b>
Below 10 %	80	21.6 %
10 – 25 %	100	27.0 %
25-50%	110	29.7 %
50-75%	60	16.2 %
<b>Total</b>	<b>370</b>	<b>100%</b>

*Source: Survey Questionnaire, 2024*

Table 4.8 provides an overview of the distribution of investment sizes in mutual fund schemes as a percentage of the portfolio among respondents in a study on factors influencing investment decision-making in Nepalese mutual fund schemes. The data shows a wide range of investment sizes within the respondent pool. The majority of investors (29.7% of the sample) allocated between 25% to 50% of their portfolio to mutual fund schemes. Additionally, 27.0% of respondents reported investing between 10% to 25% of their portfolio, while 21.6% allocated less than 10%. Understanding the distribution of investment sizes is crucial for comprehending how investors allocate their assets and manage risk in their portfolios. Investors with larger allocations to mutual fund schemes may have different investment goals and risk tolerances than those with smaller allocations, which can influence their investment strategies and decision-making processes. These findings emphasize the importance of considering investment size diversity when designing tailored financial planning initiatives and investor education programs within the Nepalese mutual fund market.

### **4.3 Descriptive Statistics of Variables**

Descriptive statistics provide a summary of the characteristics of a dataset, helping to understand the distribution, central tendency, and variability of variables. In the context of this study on factors influencing investment decision-making in Nepalese mutual fund schemes, the descriptive statistics of variables would involve calculating measures such as mean, median, mode, standard deviation, range, and quartiles for each of the independent variables. These statistics offer insights into the central tendencies, variability, and distributional patterns of factors like mutual fund performance, fund manager qualities,

investors' awareness levels, ease of investment, and investors' risk perceptions. In this study, all items related to both the independent and dependent variables were assessed using a five-point Likert scale, ranging from "strongly disagree" (1) to "strongly agree" (5). Descriptive statistics enable researchers to summarize and interpret the key characteristics of the dataset, providing a foundation for further analysis and inference in the study.

**Table 4.9**

*Descriptive Statistics of Mutual fund Performance*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. The historical performance of mutual funds significantly influences my investment decisions.	3.89	.695
2. I consider the risk-adjusted returns of mutual funds when making investment decisions.	4.10	.793
3. The consistency in achieving investment objectives is an essential factor for me when selecting mutual funds.	4.17	.900
4. The fees associated with mutual funds influence my decision to invest in them.	4.05	1.002
<b>Mutual Fund Performance (N=370)</b>	<b>4.0527</b>	<b>.70705</b>

*Source: Survey Questionnaire, 2024*

Table 4.9 presents the descriptive statistics for the variable "Mutual Fund Performance" based on respondents' perceptions. The analysis includes the mean and standard deviation for each statement related to mutual fund performance. The first statement, "The historical performance of mutual funds significantly influences my investment decisions," has a mean score of 3.89 with a standard deviation of 0.695, indicating that most respondents tend to agree with this statement, though there is moderate variability in their responses. The second statement, "I consider the risk-adjusted returns of mutual funds when making investment decisions," has a higher mean score of 4.10 and a standard deviation of 0.793, suggesting that respondents generally agree that risk-adjusted returns are a significant factor in their investment decisions, with slightly higher variability compared to the first statement. The third statement, "The consistency in achieving investment objectives is an essential factor for me when selecting mutual funds," has the highest mean score of 4.17 and a standard

deviation of 0.900. This indicates strong agreement among respondents on the importance of consistency in achieving investment objectives, though responses vary somewhat more than the previous statements. The fourth statement, "The fees associated with mutual funds influence my decision to invest in them," has a mean score of 4.05 and a standard deviation of 1.002, indicating that respondents generally agree that fees are an important consideration, with the highest variability among the statements. The overall mean for the "Mutual Fund Performance" variable, calculated as the average of the means of the individual statements, is 4.0527 with a standard deviation of 0.70705. This suggests that, on average, respondents agree that various aspects of mutual fund performance significantly influence their investment decisions, with moderate variability in their responses. These findings highlight the critical role of historical performance, risk-adjusted returns, consistency in achieving objectives, and associated fees in shaping investment decision-making among Nepalese mutual fund investors.

**Table 4.10**

*Descriptive Statistics of Fund Manager Qualities*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. I prioritize the track record and expertise of the fund manager when choosing mutual funds.	3.78	1.050
2. The fund manager's ability to communicate investment strategies effectively influences my investment decisions.	3.80	.997
3. I consider the fund manager's risk management skills before investing in mutual funds.	3.76	1.002
4. The fund manager's long-term perspective plays a significant role in my investment decisions.	3.25	.852
<b>Fund Manager Qualities (N=370)</b>	<b>3.6514</b>	<b>.50780</b>

*Source: Survey Questionnaire, 2024*

Table 4.10 presents the descriptive statistics for "Fund Manager Qualities," focusing on how different aspects of a fund manager's capabilities influence investment decisions among respondents. The first statement, "I prioritize the track record and expertise of the fund

manager when choosing mutual funds," has a mean score of 3.78 with a standard deviation of 1.050, indicating that respondents generally agree on the importance of a fund manager's track record and expertise, though there is significant variability in their responses. The second statement, "The fund manager's ability to communicate investment strategies effectively influences my investment decisions," has a mean score of 3.80 and a standard deviation of 0.997, showing that respondents agree that effective communication of investment strategies by the fund manager is crucial, with relatively high agreement but some variability. The third statement, "I consider the fund manager's risk management skills before investing in mutual funds," has a mean score of 3.76 and a standard deviation of 1.002, suggesting that risk management skills are also an important consideration for respondents, with moderate variability in responses. The fourth statement, "The fund manager's long-term perspective plays a significant role in my investment decisions," has a lower mean score of 3.25 and a standard deviation of 0.852, indicating a more neutral stance among respondents regarding the importance of a fund manager's long-term perspective, with less variability compared to other factors. The overall mean for the "Fund Manager Qualities" variable is 3.6514 with a standard deviation of 0.50780, indicating a general agreement that the qualities of fund managers, such as track record, communication skills, risk management, and long-term perspective, influence investment decisions. These findings highlight the importance of evaluating fund manager qualities in the investment decision-making process for Nepalese mutual fund investors.

**Table 4.11**

*Descriptive Statistics of Investors' Awareness Levels*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. I actively seek information about mutual funds and financial markets.	3.58	1.094
2. I have a good understanding of the risks associated with mutual fund investments.	3.36	1.216
3. Financial literacy programs have enhanced my knowledge and decision-making skills in mutual fund investments.	3.48	1.332
4. I feel confident in managing my mutual fund portfolio effectively.	3.51	1.315
<b>Investors' Awareness Levels (N=370)</b>	<b>3.4865</b>	<b>1.11522</b>

*Source: Survey Questionnaire, 2024*

Table 4.11 provides descriptive statistics for "Investors' Awareness Levels," illustrating respondents' perceptions and self-assessments regarding their knowledge and understanding of mutual fund investments. The first statement, "I actively seek information about mutual funds and financial markets," has a mean score of 3.58 with a standard deviation of 1.094, indicating that respondents generally agree they are proactive in seeking information, though there is some variability in their responses. The second statement, "I have a good understanding of the risks associated with mutual fund investments," has a mean score of 3.36 and a higher standard deviation of 1.216, suggesting that respondents have a moderate understanding of the risks, with a broader range of responses indicating differing levels of confidence in this area. The third statement, "Financial literacy programs have enhanced my knowledge and decision-making skills in mutual fund investments," has a mean score of 3.48 with a standard deviation of 1.332, showing that respondents somewhat agree that financial literacy programs have positively impacted their knowledge and skills, though the responses vary significantly. The fourth statement, "I feel confident in managing my mutual fund portfolio effectively," has a mean score of 3.51 and a standard deviation of 1.315, indicating

a moderate level of confidence among respondents in managing their portfolios, with considerable variability in responses. The overall mean for the "Investors' Awareness Levels" variable is 3.4865 with a standard deviation of 1.11522, suggesting that, on average, respondents have a moderate level of awareness and confidence in their knowledge and management of mutual fund investments. These findings highlight the importance of investor education and the impact of financial literacy programs on enhancing investors' understanding and decision-making abilities within the Nepalese mutual fund market.

**Table 4.12**

*Descriptive Statistics of Ease of Investment*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. The accessibility of investment platforms influences my decision to invest in mutual funds.	4.07	.685
2. I prefer investment platforms with transparent processes and low barriers to entry.	4.24	.779
3. User-friendly interfaces make it easier for me to invest in mutual funds.	4.22	.871
4. Efficient transaction mechanisms contribute to my overall satisfaction with mutual fund investments.	4.44	.866
<b>Ease of Investment (N=370)</b>	<b>4.2419</b>	<b>.65301</b>

*Source: Survey Questionnaire, 2024*

Table 4.12 presents the descriptive statistics for "Ease of Investment," showcasing respondents' perceptions regarding the accessibility and usability of investment platforms for mutual funds. The first statement, "The accessibility of investment platforms influences my decision to invest in mutual funds," has a mean score of 4.07 with a standard deviation of

0.685, indicating that respondents generally agree on the importance of platform accessibility in their investment decisions, with relatively low variability in responses. The second statement, "I prefer investment platforms with transparent processes and low barriers to entry," has a higher mean score of 4.24 and a standard deviation of 0.779, suggesting strong agreement among respondents that transparency and low entry barriers are crucial factors, with slightly more variability in their responses. The third statement, "User-friendly interfaces make it easier for me to invest in mutual funds," also has a high mean score of 4.22 with a standard deviation of 0.871, showing that ease of use through user-friendly interfaces is highly valued by respondents, though there is a bit more variability in this perception. The fourth statement, "Efficient transaction mechanisms contribute to my overall satisfaction with mutual fund investments," has the highest mean score of 4.44 and a standard deviation of 0.866, indicating very strong agreement that efficient transactions significantly enhance satisfaction, with moderate variability in responses. The overall mean for the "Ease of Investment" variable is 4.2419 with a standard deviation of 0.65301, reflecting a general consensus that ease of investment characterized by accessible platforms, transparent processes, user-friendly interfaces, and efficient transactions plays a significant role in investment decisions among Nepalese mutual fund investors. These findings emphasize the critical need for investment platforms to focus on user experience and accessibility to attract and retain investors.

**Table 4.13**

*Descriptive Statistics of Investors' Risk Perceptions*

Statements	Mean	Std. Deviation
1. I carefully consider the level of risk associated with mutual fund investments before making any investment decisions.	4.07	.685
2. My perception of the potential downside risks significantly influences my choice of mutual funds.	4.24	.779
3. I tend to avoid mutual funds with high volatility or uncertain performance due to my risk aversion.	4.22	.871
4. I believe that understanding and managing investment risks are essential for achieving long-term financial goals through mutual funds.	4.44	.866
<b>Investors' Risk Perceptions (N=370)</b>	<b>4.2419</b>	<b>.65301</b>

*Source: Survey Questionnaire, 2024*

Table 4.13 presents the descriptive statistics for "Investors' Risk Perceptions," highlighting how respondents perceive and manage risk in their mutual fund investment decisions. The first statement, "I carefully consider the level of risk associated with mutual fund investments before making any investment decisions," has a mean score of 4.07 with a standard deviation of 0.685, indicating that respondents generally agree on the importance of evaluating risk before investing, with relatively low variability in their responses. The second statement, "My perception of the potential downside risks significantly influences my choice of mutual funds," has a higher mean score of 4.24 and a standard deviation of 0.779, suggesting strong agreement that potential downside risks are a major factor in mutual fund selection, with moderate variability in responses. The third statement, "I tend to avoid mutual funds with high volatility or uncertain performance due to my risk aversion," has a mean score of 4.22 and a standard deviation of 0.871, indicating that respondents are generally risk-averse and avoid funds with high volatility or uncertain performance, with some variability in their responses. The fourth statement, "I believe that understanding and managing investment risks

are essential for achieving long-term financial goals through mutual funds," has the highest mean score of 4.44 with a standard deviation of 0.866, showing very strong agreement on the importance of risk management for long-term financial success, with moderate variability. The overall mean for the "Investors' Risk Perceptions" variable is 4.2419 with a standard deviation of 0.65301, reflecting a consensus that careful consideration and management of risk are crucial factors influencing investment decisions among Nepalese mutual fund investors. These findings emphasize the need for investors to prioritize risk evaluation and management to achieve their long-term financial goals through mutual fund investments.

**Table 4.14**

*Descriptive Statistics of Investment Decision in Mutual Funds*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
1. The historical performance of mutual funds significantly influences my investment decisions.	3.87	.908
2. I prioritize the track record and expertise of the fund manager when choosing mutual funds.	4.01	.908
3. I actively seek information about mutual funds and financial markets.	3.56	1.310
4. I prioritize long-term financial goals and objectives over short-term gains when making investment decisions in mutual funds.	3.76	1.265
<b>Investors' Decision-Making in Mutual Funds (N=370)</b>	<b>3.8000</b>	<b>.94148</b>

*Source: Survey Questionnaire, 2024*

Table 4.14 provides the descriptive statistics for "Investment Decision in Mutual Funds," summarizing how different factors influence respondents' investment decisions. The first statement, "The historical performance of mutual funds significantly influences my

investment decisions," has a mean score of 3.87 with a standard deviation of 0.908. This indicates that respondents generally agree that historical performance is an important factor, though there is some variability in their responses. The second statement, "I prioritize the track record and expertise of the fund manager when choosing mutual funds," has a higher mean score of 4.01 with a standard deviation of 0.908, suggesting strong agreement among respondents about the importance of the fund manager's track record and expertise, with moderate variability in responses. The third statement, "I actively seek information about mutual funds and financial markets," has a mean score of 3.56 and a standard deviation of 1.310, indicating that while respondents generally agree on the importance of actively seeking information, there is considerable variability in how actively they do this. The fourth statement, "I prioritize long-term financial goals and objectives over short-term gains when making investment decisions in mutual funds," has a mean score of 3.76 with a standard deviation of 1.265, showing that respondents lean towards prioritizing long-term goals, though there is significant variability in their responses. The overall mean score for the "Investors' Decision-Making in Mutual Funds" variable is 3.8000 with a standard deviation of 0.94148, indicating a general agreement among respondents that their investment decisions are influenced by historical performance, the expertise of fund managers, actively seeking information, and prioritizing long-term goals. These findings underscore the complexity of investment decision-making among Nepalese mutual fund investors, highlighting the interplay of historical performance, managerial expertise, information-seeking behavior, and the prioritization of long-term objectives.

#### **4.4 Inferential Statistics**

In this section, inferential statistics are employed to analyze the relationships between the independent variables and the dependent variable, which is investors' decision-making in mutual funds. The aim is to determine the significance and strength of these relationships and to test the hypotheses formulated at the beginning of the study. Various statistical techniques, such as correlation analysis and multiple regression analysis, are used to provide insights into the factors influencing mutual fund investment decisions among investors in Nepal.

##### **4.4.1 Correlation Analysis**

Correlation analysis is performed to assess the degree of association between the independent variables mutual fund performance, fund manager qualities, investors' awareness levels, ease of investment, and investors' risk perceptions and the dependent variable, investors' decision-making in mutual funds. The results are presented in Table 4.15

**Table 4.15**

*Correlation Coefficient of Variables*

		<b>Correlations</b>					
		FMQ	EOI	IDIMF	IRP	MFP	IAL
Fund Manager Quality	Pearson Correlation	1					
	Sig. (2-tailed)						
Ease of Investment	Pearson Correlation	.206**					
	Sig. (2-tailed)	.000					
Investment Decision In Mutual Fund	Pearson Correlation	.236**	.697**				
	Sig. (2-tailed)	.000	.000				
Investors Risk Perception	Pearson Correlation	.280**	.594**	.636**			
	Sig. (2-tailed)	.000	.000	.000			
Mutual Fund Performance	Pearson Correlation	.109*	.332**	.546**	.360**		
	Sig. (2-tailed)	.036	.000	.000	.000		
Investors Awareness Level	Pearson Correlation	.126*	.589**	.705**	.560**	.269**	
	Sig. (2-tailed)	.015	.000	.000	.000	.000	
	N	370					

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

\* . Correlation is significant at the 0.05 level (2-tailed).

*Source: Survey Questionnaire, 2024*

Table 4.15 shows the relationships between various independent variables and the dependent variable, which is investors' decision-making in mutual funds. Pearson correlation coefficients (r) range from -1 to 1, where values closer to 1 or -1 indicate a stronger

relationship, and values near 0 indicate a weaker relationship. Significance levels (p-values) are also provided to indicate the statistical significance of these relationships. There is a positive and significant correlation between fund manager quality and investors' decision-making ( $r = 0.236$ ,  $p < 0.01$ ), indicating that higher perceived quality in fund managers corresponds to more favorable investment decisions by investors. The correlation between ease of investment and investors' decision-making is notably strong and significant ( $r = 0.697$ ,  $p < 0.01$ ), suggesting that when investment processes are more accessible and user-friendly, investors are more likely to make favorable decisions regarding mutual fund investments. There is a positive and significant correlation between investors' risk perception and their decision-making in mutual funds ( $r = 0.636$ ,  $p < 0.01$ ). This implies that investors who perceive risks accurately are more likely to make informed decisions regarding their mutual fund investments. Mutual fund performance shows a positive but relatively weaker correlation with investors' decision-making ( $r = 0.546$ ,  $p < 0.01$ ). Although statistically significant, the strength of this relationship suggests that other factors beyond performance also influence investors' decisions. There is a positive and significant correlation between investors' awareness level and their decision-making in mutual funds ( $r = 0.705$ ,  $p < 0.01$ ). This indicates that investors who are more aware of financial markets and products tend to make more informed decisions regarding mutual fund investments.

In summary, the analysis shows that fund manager quality, ease of investment, investors' risk perception, mutual fund performance, and investors' awareness levels all have significant positive correlations with the dependent variable. The significant positive correlations suggest that improving fund manager quality, enhancing ease of investment, increasing investors' awareness levels, and focusing on risk management and fund performance can significantly impact investment decisions. The empirical evidence provided by the correlation analysis supports the thesis hypothesis, demonstrating that these factors collectively influence investors' decisions to invest in mutual funds in Nepal. Therefore, strategies aimed at improving these areas could lead to more informed and confident investment decisions, aligning with the study's objective to identify and analyze key determinants of mutual fund investments in Nepal.

#### **4.4.2 Multiple Regression Analysis**

Multiple regression analysis is conducted to determine the combined effect of the independent variables on the dependent variable and to identify the most significant predictors of investors' decision-making in mutual funds. The regression model is specified as follows:

$$IDM = \beta_0 + \beta_1 MFP + \beta_2 FMQ + \beta_3 IAL + \beta_4 EOI + \beta_5 IRP + \epsilon$$

Where:

- IDM = Investors' Decision-Making in Mutual Funds
- MFP = Mutual Fund Performance
- FMQ = Fund Manager Qualities
- IAL = Investors' Awareness Levels
- EOI = Ease of Investment
- IRP = Investors' Risk Perceptions
- $\beta_0$  = Intercept
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Coefficients
- $\epsilon$  = Error term

**Table 4.16**

*Model Summary*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851a	.724	.720	.49791

a. Predictors: (Constant), Investors Risk Perception, Fund Manager Qualities, Mutual Fund Performance, Investors Awareness Level, Ease of Investment

*Source: Survey Questionnaire, 2024*

The model summary presented in Table 4.16 highlights the strength of the relationship between the independent variables investors' risk perception, fund manager qualities, mutual fund performance, investors' awareness level, and ease of investment—and the dependent variable, which is investors' decision-making in mutual funds. The multiple correlation coefficient (R) is 0.851, indicating a strong positive correlation and suggesting that these factors collectively have a significant impact on investment decisions. The R square value of 0.724 reveals that 72.4% of the variance in investors' decision-making can be explained by the model, underscoring its high explanatory power. The adjusted R square, slightly lower at 0.720, accounts for the number of predictors and confirms the robustness of the model. Additionally, the standard error of the estimate is 0.49791, indicating that the model's predictions are reasonably close to the actual data points. These findings align with the thesis by demonstrating that key factors such as risk perception, fund manager qualities, mutual fund performance, investor awareness, and ease of investment play a crucial role in influencing how investors make decisions about mutual funds. This comprehensive analysis provides valuable insights for financial advisors and fund managers aiming to better understand and guide investor behavior.

**Table 4.17**

*ANOVA*

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	236.836	5	47.367	191.066	.000 <sup>b</sup>
	Residual	90.239	364	.248		
	Total	327.075	369			

a. Dependent Variable: Investment Decision In Mutual Fund

b. Predictors: (Constant), Investors Risk Perception, Fund Manager Qualities, Mutual Fund Performance, Investors Awareness Level, Ease of Investment

*Source: Survey Questionnaire, 2024*

Table 4.17 provides a statistical analysis of the regression model used to evaluate the impact of the independent variables investors' risk perception, fund manager qualities, mutual fund performance, investors' awareness level, and ease of investment on the dependent variable, which is the investment decision in mutual funds. The sum of squares for the regression model is 236.836, and with 5 degrees of freedom (df), the mean square is calculated to be 47.367. This high mean square value indicates that the model explains a significant portion of the variance in investment decisions.

The residual sum of squares, representing the variance not explained by the model, is 90.239 with 364 degrees of freedom, resulting in a mean square of 0.248. The total sum of squares is 327.075, combining the regression and residual variances. The F-value of 191.066 is highly significant, with a p-value (Sig.) of .000. This indicates that the overall regression model is statistically significant, and the probability of the results occurring by chance is extremely low. Therefore, the predictors' investors' risk perception, fund manager qualities, mutual fund performance, investors' awareness level, and ease of investment collectively have a significant impact on the investment decisions made by mutual fund investors. This reinforces the findings of the study, confirming that these factors play a crucial role in shaping investor behavior and decision-making in the context of mutual funds.

**Table 4.18**

*Regression Analysis*

<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1.637	.250		-6.537	.000
Mutual Fund Performance	.393	.040	.295	9.880	.000
Investors Awareness	.317	.030	.375	10.389	.000
1 Level					
Ease of Investment	.415	.054	.288	7.668	.000
Fund Manager Qualities	.111	.053	.060	2.081	.038
Investors Risk Perception	.146	.042	.132	3.507	.001

a. Dependent Variable: Investment Decision In Mutual Fund

*Source: Survey Questionnaire, 2024*

Table 4.18, which presents the regression analysis, provides valuable insights into the impact of various factors on the investment decisions regarding mutual funds. The table displays unstandardized coefficients (B), standard errors, standardized coefficients (Beta), t-values, and significance levels (Sig.) for each predictor variable, elucidating their respective contributions.

The constant term has an unstandardized coefficient of -1.637 with a standard error of 0.250, yielding a t-value of -6.537 and a significance level of 0.000. This indicates that when all predictors are held constant, the baseline level of investment decision in mutual funds is significantly negative.

The unstandardized coefficient for mutual fund performance is 0.393, with a standard error of 0.040. The standardized coefficient (Beta) is 0.295, and the t-value is 9.880, with a significance level of 0.000. This means that mutual fund performance has a positive and statistically significant impact on investment decisions, with higher performance leading to more favorable investment decisions.

The unstandardized coefficient for investors' awareness level is 0.317, with a standard error of 0.030. The standardized coefficient (Beta) is 0.375, and the t-value is 10.389, with a

significance level of 0.000. This indicates that higher levels of investor awareness are significantly associated with better investment decisions in mutual funds.

The unstandardized coefficient for ease of investment is 0.415, with a standard error of 0.054. The standardized coefficient (Beta) is 0.288, and the t-value is 7.668, with a significance level of 0.000. This suggests that the ease of investment significantly and positively influences investment decisions, with more accessible and user-friendly investment options leading to more favorable decisions.

The unstandardized coefficient for fund manager qualities is 0.111, with a standard error of 0.053. The standardized coefficient (Beta) is 0.060, and the t-value is 2.081, with a significance level of 0.038. This indicates that the quality of fund managers has a modest but significant positive impact on investment decisions.

The unstandardized coefficient for investors' risk perception is 0.146, with a standard error of 0.042. The standardized coefficient (Beta) is 0.132, and the t-value is 3.507, with a significance level of 0.001. This shows that perceptions of risk significantly affect investment decisions, with higher risk awareness leading to more cautious investment behavior.

Overall, the regression analysis highlights that mutual fund performance, investors' awareness level, ease of investment, fund manager qualities, and investors' risk perception are all significant predictors of investment decisions in mutual funds. Among these, investors' awareness level and mutual fund performance have the strongest influence, followed by ease of investment. These findings support the thesis by demonstrating the multifaceted nature of factors that drive investment decisions in mutual funds, emphasizing the importance of both quantitative performance metrics and qualitative factors like awareness and risk perception.

#### **4.5 Hypothesis Testing**

In hypothesis testing, the significance of independent variables (IVs) on dependent variables (DVs) is evaluated through statistical analysis to determine whether there is a meaningful relationship between them. This process involves formulating null and alternative hypotheses, selecting an appropriate statistical test, calculating the test statistic and its associated p-value, and finally, interpreting the results to determine if there is sufficient

evidence to either accept or reject the null hypothesis. The significance level, often denoted as  $\alpha$ , helps determine the threshold for rejecting the null hypothesis. If the p-value is less than  $\alpha$ , typically 0.05, we reject the null hypothesis in favor of the alternative hypothesis, indicating a significant relationship between variables. However, if the p-value is greater than  $\alpha$ , we fail to reject the null hypothesis, suggesting no significant relationship. Hypothesis testing enables researchers to draw conclusions about the relationships between variables based on empirical evidence and statistical analysis. Table 4.19 presents the outcomes of hypothesis testing concerning the impact of various factors on individual investment decisions regarding mutual fund investments in Nepal.

**Table 4.19**

*Hypothesis Testing*

<b>Hypothesis</b>	<b>Significance Level (p-value)</b>	<b>Acceptance Status</b>
H1: There is a significant positive influence of mutual fund performance on individual investment decisions regarding mutual fund investments in Nepal.	p < 0.001	Accepted
H2: There is a significant positive influence of fund managers' qualities on individual investment decisions regarding mutual fund investments in Nepal.	p < 0.001	Accepted
H3: There is a significant positive influence of investors' awareness levels on individual investment decisions regarding mutual fund investments in Nepal.	p < 0.001	Accepted
H4: There is a significant positive influence of ease of investment on individual investment decisions regarding mutual fund investments in Nepal.	p < 0.001	Accepted
H5: There is a significant positive influence of risk perception on individual investment decisions regarding mutual fund investments in Nepal.	p < 0.001	Accepted

Table 4.19 summarizes the significance levels (p-values) of each hypothesis based on the regression analysis results. Hypotheses with p-values less than the significance level (typically 0.05) are accepted, indicating a significant influence on investment decisions in mutual funds. Each hypothesis is assessed based on its significance level (p-value) and

corresponding acceptance status. The findings reveal that all hypotheses are supported, indicating significant positive influences of mutual fund performance, fund managers' qualities, investors' awareness levels, ease of investment, and risk perception on individual investment decisions. Specifically, the analysis underscores the pivotal role of these factors in shaping investment decisions, highlighting the importance of factors such as mutual fund performance and fund managers' qualities in guiding investors' choices. Moreover, the significance of investors' awareness levels, ease of investment, and risk perception underscores the multifaceted nature of decision-making in the context of mutual fund investments, underscoring the need for investors to consider various factors before making informed investment decisions.

#### **4.6 Major Findings of the Study**

The descriptive statistics show that respondents highly value ease of investment (mean = 4.2419) and mutual fund performance (mean = 4.0527), while they also exhibit a significant awareness of investment risks (mean = 3.9405). Additionally, there is a moderate emphasis on fund manager quality (mean = 3.6514) and financial literacy (mean = 3.4865) among the respondents, with the overall investment decision in mutual funds being fairly positive (mean = 3.8000).

There is a strong positive correlation between ease of investment (EOI) and investment decisions in mutual funds (IDIMF) with a Pearson correlation coefficient of .697 ( $p < 0.001$ ), indicating that user-friendly and accessible investment platforms significantly influence investment decisions.

Investors' awareness levels (IAL) show a very strong positive correlation with investment decisions in mutual funds (IDIMF) at .705 ( $p < 0.001$ ), suggesting that higher awareness and knowledge about mutual funds greatly enhance investment decisions.

There is a substantial positive correlation between investors' risk perception (IRP) and investment decisions in mutual funds (IDIMF) with a coefficient of .636 ( $p < 0.001$ ), highlighting that investors' understanding and management of risks are critical in their decision-making process.

Mutual fund performance (MFP) is positively correlated with investment decisions in mutual funds (IDIMF) with a Pearson correlation of .546( $p < 0.001$ ), demonstrating that past performance and returns of mutual funds are significant factors in investors' decisions.

Fund Manager Quality and Investment Decision: There is a positive correlation between fund manager quality (FMQ) and investment decisions in mutual funds (IDIMF) with a Pearson correlation coefficient of .236 ( $p < 0.001$ ). This indicates that the expertise and qualities of fund managers significantly influence investors' decisions.

The most highly correlated variables are Ease of Investment and Investment Decision in Mutual Funds ( $r = .697$ ,  $p < 0.001$ ), while the least correlated are Mutual Fund Performance and Fund Manager Quality ( $r = .109$ ,  $p < 0.05$ ).

The strong multiple correlation coefficient ( $R = 0.851$ ) and the high R square value (0.724) indicate that the independent variables investors' risk perception, fund manager qualities, mutual fund performance, investors' awareness level, and ease of investment collectively explain a substantial 72.4% of the variance in investors' decision-making regarding mutual funds, highlighting the significant impact of these factors on investment decisions.

The ANOVA results show a highly significant F-statistic ( $F = 191.066$ ,  $p < 0.001$ ), confirming that the regression model provides a significantly better fit to the data compared to a model with no predictors, thus validating the importance of the selected independent variables in influencing investors' decisions in mutual funds.

From the regression analysis the constant term is -1.637, which is significant ( $p < 0.001$ ), indicating that when all independent variables are zero, the baseline level of investment decisions is negative, which is not practically meaningful but mathematically necessary for the regression model.

This variable mutual fund performance has a significant positive effect on investment decisions ( $B = 0.393$ ,  $p < 0.001$ ), with a standardized coefficient (Beta) of 0.295, suggesting that better mutual fund performance strongly influences investors' decisions to invest in mutual funds.

Investors' awareness level also has a significant positive impact on investment decisions ( $B = 0.317$ ,  $p < 0.001$ ), with the highest standardized coefficient (Beta = 0.375), indicating that higher awareness among investors is the most influential factor in their decision-making process.

Ease of investment significantly positively influences investment decisions ( $B = 0.415$ ,  $p < 0.001$ ), with a standardized coefficient (Beta) of 0.288, demonstrating that simpler and more accessible investment processes are important in attracting investors.

Fund manager qualities have a smaller but still significant positive impact on investment decisions ( $B = 0.111$ ,  $p = 0.038$ ), with a standardized coefficient (Beta) of 0.060, indicating that the qualities of fund managers are an influential but less dominant factor compared to others.

Investors' risk perception has a significant positive effect on investment decisions ( $B = 0.146$ ,  $p = 0.001$ ), with a standardized coefficient (Beta) of 0.132, suggesting that higher awareness and management of risk perceptions among investors positively influence their investment choices.

## **CHAPTER -V**

### **SUMMARY AND CONCLUSION**

This chapter aims to offer a brief summary of the study, highlighting the key findings and concluding remarks. It is divided into three main parts: Summary, Conclusion, and Implications.

## **5.1 Summary**

The study aims to provide a comprehensive analysis of the factors that influence investment decision-making among mutual fund investors in Nepal. By employing a research design that combines descriptive and explanatory methodologies, the study seeks to gain a nuanced understanding of these factors and their impact on investment decisions in the Nepalese mutual fund market. The primary objectives include identifying key determinants, exploring inter-variable relationships, and evaluating their consequential impact on investment decisions.

The study's population comprises mutual fund investors within Nepal, with a targeted sample size of 370 individuals drawn from the Kathmandu Valley region. Employing a pragmatic approach, convenience sampling is utilized to select participants, facilitating efficient data collection within practical constraints. The primary data collection mechanism revolves around structured questionnaires, meticulously crafted to elicit responses pertaining to demographic profiles and factors influencing investment decisions. Subsequently, the collected data undergoes rigorous statistical scrutiny, including correlation and regression analyses conducted using the Statistical Package for the Social Sciences (SPSS) version 25.

Insightful analyses reveal the significant priorities and preferences of mutual fund investors in Nepal. It is evident that investors place great importance on the ease of investment and the historical performance of mutual funds, demonstrating their discerning approach to investment opportunities. Additionally, survey respondents demonstrate a strong awareness of investment risks, indicating a prudent mindset in their financial decision-making. Furthermore, the analyses highlight a moderate emphasis on the quality of fund managers and financial literacy among participants, underscoring the diverse factors that influence investment decisions.

Correlation analyses reveal strong positive relationships between different factors and investment decisions in mutual funds. Particularly, a strong correlation is found between the ease of investment, investors' awareness levels, risk perception, and investment decisions, highlighting the crucial role of these variables in shaping investors' decisions. Additionally, a positive correlation is observed between the quality of fund managers and investment decisions, emphasizing the importance of managerial expertise in influencing investor behavior.

The regression analyses support the hypotheses proposed in the study, confirming the significant influence of mutual fund performance, investors' awareness levels, ease of investment, and risk perception on investment decisions. These findings validate the complex nature of decision-making processes in the Nepalese mutual fund market and emphasize the intricate interplay among various factors that impact investor behavior.

In conclusion, this study provides valuable insights into the determinants of investment decision-making among mutual fund investors in Nepal. The findings not only contribute to academic discussions but also have practical implications for policymakers, practitioners, and stakeholders in the Nepalese financial sector. By shedding light on the nuanced dynamics of investment decision-making, this study facilitates informed decision-making processes and enhances investor confidence in the mutual fund market.

## **5.2 Conclusion**

One of the primary findings is the significant positive influence of mutual fund performance on investment decisions. Investors heavily rely on past performance and returns as indicators of future potential, underscoring the importance for mutual funds to maintain robust performance to attract and retain investors. This highlights the necessity for mutual fund managers to consistently achieve high returns and maintain transparency in performance reporting to build and sustain investor trust.

Another critical factor identified is the quality of fund managers. The expertise and track record of fund managers significantly influence investment decisions, indicating that investors place substantial trust in the abilities of fund managers. This finding suggests that mutual fund companies should prioritize employing skilled and reputable managers to

enhance investor confidence and attract more investments. Continuous professional development and stringent selection processes for fund managers can further improve investor perceptions.

The study also reveals that higher levels of investor awareness positively impact investment decisions. This underscores the importance of financial literacy and awareness programs in empowering investors to make informed choices. Financial institutions and regulatory bodies should invest in educational initiatives that enhance the financial literacy of the general public, enabling them to better understand mutual funds and the associated risks and benefits.

Ease of investment is another significant factor influencing investment decisions. The study found that user-friendly and accessible investment platforms play a crucial role in attracting investors. This suggests that financial institutions should focus on simplifying the investment process, making it more straightforward and less time-consuming. By improving the accessibility of investment platforms, more potential investors can be encouraged to participate in the mutual fund market.

Finally, the study highlights the importance of investors' risk perception in their decision-making process. Investors' understanding and management of risk significantly influence their investment decisions. This finding indicates that enhancing investors' ability to assess and manage risks is essential for fostering more informed and confident investment behaviors. Financial advisors and mutual fund managers should provide clear and comprehensive information about the risks involved in mutual fund investments to help investors make well-informed decisions.

In conclusion, this study provides valuable insights into the determinants of mutual fund investment decisions in Nepal. By highlighting the importance of performance, managerial quality, investor awareness, ease of investment, and risk perception, the findings offer a roadmap for improving investor confidence and participation in the mutual fund market. These insights can inform strategies that foster a more vibrant and stable financial sector in Nepal, ultimately contributing to the overall growth and development of the capital market.

### **5.3 Recommendations**

The findings of this study have several significant implications for policymakers, practitioners, and the academic community, offering actionable insights to enhance the mutual fund market in Nepal.

For policymakers, the study underscores the importance of strengthening the regulatory framework governing mutual funds. The significant influence of mutual fund performance and fund manager qualities on investor decisions suggests a need for greater transparency and accountability in fund operations. This could involve more stringent performance reporting standards and periodic evaluations of fund managers' competencies. Additionally, to protect investors from excessive risk exposure, policies mandating the disclosure of risks associated with different mutual fund schemes and ensuring adherence to stipulated risk management practices are crucial.

Practitioners in the mutual fund industry should focus on achieving consistent performance and maintaining high-quality fund management. The recruitment and retention of skilled fund managers should be prioritized, with an emphasis on ongoing professional development and performance monitoring. Furthermore, given the positive correlation between investor awareness and investment decisions, mutual fund companies should invest in educational initiatives. Workshops, seminars, and informative content that educate investors on mutual fund operations, benefits, and associated risks can significantly enhance investor awareness and confidence.

Simplifying the investment process is another critical implication for practitioners. The study highlights the significant impact of ease of investment on decision-making, suggesting that mutual fund companies should strive to make the investment process more user-friendly. Developing intuitive online platforms, offering step-by-step guides, and providing robust customer support can help attract and retain investors by making the process more accessible and less intimidating.

For the academic community, the study opens avenues for further research into the specific mechanisms through which fund performance and manager qualities influence investor decisions. Future studies could explore these relationships in more detail, possibly examining the impact of different types of mutual funds and varying market conditions. Additionally, the strong link between investor awareness and investment decisions underscores the need

for in-depth studies on financial literacy levels among different demographics. Academics could explore the most effective methods for increasing financial literacy and its long-term impact on investment behavior.

The mutual fund industry as a whole can benefit from the insights provided by this study by developing strategies that build and sustain investor confidence. By focusing on performance, transparency, and investor education, the industry can attract a larger and more diverse investor base. Understanding the factors that influence investment decisions can also drive innovation in mutual fund products. Companies can design tailored products that cater to the specific needs and preferences of different investor segments, enhancing market penetration and customer satisfaction.

Financial advisors can use the findings to offer more customized advice to their clients. By understanding the key factors that influence decisions, advisors can better match clients with appropriate mutual fund products, considering their risk tolerance, investment goals, and awareness levels. Additionally, advisors should take on an educational role, helping clients understand the intricacies of mutual fund investments, the importance of performance and risk management, and the qualities of effective fund managers.

Overall, the study provides a comprehensive understanding of the factors influencing mutual fund investment decisions in Nepal. By implementing the recommendations derived from the findings, stakeholders can enhance the mutual fund ecosystem, fostering a more robust and informed investment environment.

#### **5.4 Areas for Future Research**

- i. Future studies could delve deeper into the specific characteristics and behaviors of fund managers that most significantly influence investor decisions. This could provide insights into which attributes are most valued by investors.
- ii. Research could explore the long-term effects of various financial literacy initiatives on investor behavior and decision-making in mutual funds. Understanding the impact of education on investment behavior can guide future program development.

- iii. Investigate the performance and appeal of mutual funds focused on specific sectors or industries to determine their attractiveness to different investor demographics. Sector-specific insights can help tailor marketing strategies.
- iv. Examine the psychological and behavioral factors that shape investors' risk perceptions and their impact on investment decisions. Understanding these factors can lead to better risk communication strategies.
- v. Conduct comparative studies between Nepal and other countries to identify global best practices and their applicability in the Nepalese context. Benchmarking against international standards can help improve local practices.
- vi. Implement longitudinal studies to track changes in investor behavior and decision-making over time, particularly in response to market fluctuations and regulatory changes. Long-term data can reveal trends and shifts in investor preferences.
- vii. Investigate the role of technological advancements, such as robo-advisors and fintech platforms, in shaping mutual fund investment decisions. The impact of technology on investing is a rapidly evolving area worth exploring.
- viii. Explore how demographic factors such as age, gender, income, and education level influence mutual fund investment decisions and the relative importance of different influencing factors for each demographic group. Detailed demographic analysis can lead to more targeted marketing and educational efforts.
- ix. Extend the research to include a larger and more diverse sample size beyond the Kathmandu Valley to capture a wider range of investor behaviors and preferences across Nepal. This will ensure the findings are more representative and generalizable.
- x. Future research should consider incorporating more variables that may influence investment decisions, such as economic conditions, market trends, and investor sentiment. A broader set of variables can provide a more comprehensive understanding of the factors influencing investment decisions.
- xi. By addressing these recommendations and exploring these research areas, stakeholders can further enhance the understanding of mutual fund investment dynamics, contributing to the development of a robust and investor-friendly mutual fund market in Nepal.

## BIBLIOGRAPHY

- Adhikari, B., & Shrestha, R. K. (2016). Factors affecting individual investors' decision making: Evidence from Nepal. *Investment Management and Financial Innovations*, 13(3), 8-21.
- Arathy, N., & Nair, R. P. (2017). Risk Perception and Investment Decisions: A Study of Individual Mutual Fund Investors in India. *Journal of Financial Risk Management*, 6(1), 1-12.
- Bajracharya, S., & Koirala, P. (2018). Investor behavior towards mutual fund investments in Nepal. *Journal of Accounting and Management*, 8(2), 12-24.
- Barber, B. M., & Odean, T. (2008). All that glitters: The effect of attention and news on the buying behavior of individual and institutional investors. *Review of Financial Studies*, 21(2), 785-818
- Bhattarai, K., & Adhikari, B. (2018). Investors' preferences for mutual fund attributes: Evidence from Nepal. *Applied Economics Journal*, 25(1), 68-82.
- Bodie, Z., Kane, A., & Marcus, A. (2022). *Investments*. McGraw-Hill Education.
- Brown, S. J., & Reilly, D. F. (2009). Investor perceptions of mutual fund attributes: It's not just about past performance. *Financial Review*, 44(2), 289-312.
- CFA Institute. (2023). *Mutual Fund Manager*. Retrieved from <https://www.cfainstitute.org/en/programs/cfaprogram/candidate/mutual-fund-manager>
- Chakraborty, A., & Ray, D. (2017). Financial literacy and investment decision making: A review of literature. *Journal of Economics and Behavioral Studies*, 9(6), 120-130.
- Chang, Y., & Chen, S.-W. (2015). Investor sentiment and fund behavior: Evidence from mutual fund flows in Taiwan. *Journal of Applied Finance & Banking*, 5(2), 15-28.
- Chaudhary, A. K., Singh, S., & Kumar, R. (2022). Determinants of mutual fund investments in India: A study of retail investors. *Vision*, 26(1), 75-88.
- Chaudhary, B., Koirala, S., & Paudel, S. (2021). A study on the determinants of mutual fund investment in Nepal. *Journal of Investment and Management*, 10(2), 1-12.

- Chaudhary, V., Dash, S. K., & Kumar, S. (2022). Factors affecting investment decisions in mutual funds: A study of individual investors in India. *Journal of Financial Economic Policy*, 14(4), 536-554.
- Chen, H., & Wang, X. (2019). The relationship between risk perception and mutual fund investment decisions: *Evidence from China*. *Pacific-Basin Finance Journal*, 55, 330-342.
- Chen, H., Hong, H., & Huang, M. (2011). Does fund size erode mutual fund performance? The role of liquidity and organization. *Journal of Financial Economics*, 99(1), 1-19.
- Chen, H., Kwok, K. H., & Zhang, Y. (2009). The return and risk of Chinese mutual funds. *Pacific-Basin Finance Journal*, 17(3), 357-375.
- Chen, Y., Hong, H., & Huang, M. (2019). Costly search and mutual fund flows. *The Journal of Finance*, 74(6), 3195-3236.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16(3), 297-334.
- Dangol, D., & Shakya, R. (2017). Investment behavior of individual investors towards mutual funds: A study of Nepalese investors. *Journal of Business and Management*, 19(4), 1-20.
- Deb, S., & Singh, A. K. (2016). A study on the factors influencing the investment decision of retail investors towards mutual funds in Odisha. *International Journal of Research in Commerce and Management*, 7(3), 23-27.
- Deb, S., & Singh, P. (2016). Investor behaviour towards mutual fund investments: A study of Indian investors. *Pacific Business Review International*, 9(9), 1-11.
- Deepan, M., Deepa, N., Rohini, A., Malarkodi, M., & Indumathi, V. M. (2020). Factors influencing mutual fund investment decisions-factor analysis. *International Journal of Chemical Studies*, 8(1), 2106-2109. doi: <https://doi.org/10.22271/chemi.2020.v8.i1ae.8578>
- Deloitte (2019). *Deloitte Investment Management Benchmarking Survey*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-fsi-final-deloitte-investment-management-benchmarking-survey.pdf>

- Dhar, S., Salema, S. M. K., & Saha, A. (2017). Factors Affecting Individual Investor Behavior: Empirical Evidence from Mutual Fund Investors in Dhaka City. *Management Development, 31* (3&4), 79-80.
- Dhungana, S. (2019). Mutual fund performance in Nepal: A comparative analysis of equity and debt funds. *Journal of Finance and Investment Analysis, 8*(2), 1-9.
- Dong, M., & Bao, J. (2019). The Impact of Ease of Investment on Mutual Fund Flows. *Journal of Banking and Finance, 101*, 1-14.
- Elton, E. J., Gruber, M. J., & Blake, C. R. (2007). The persistence of risk-adjusted mutual fund performance. *Journal of Business, 78*(2), 653-696.
- Fabozzi, F. J., Focardi, S. M., & Jonas, C. (2009). *Handbook of finance: Financial markets and instruments*. John Wiley & Sons.
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance, 25*(2), 383-417.
- Fama, E. F. (1991). Efficient capital markets: II. *The Journal of Finance, 46*(5), 1575-1617.
- Lakonishok, J., Shleifer, A., & Vishny, R. W. (1992). The impact of institutional trading on stock prices. *The Journal of Financial Economics, 32*(1), 23-43.
- Fama, E. F., & French, K. R. (2004). The capital asset pricing model: Theory and evidence. *Journal of Economic Perspectives, 18*(3), 25-46.
- Fama, E. F., & French, K. R. (2010). Luck versus skill in the cross section of mutual fund returns. *The Journal of Finance, 65*(5), 1915-1947.
- Gallery, N., Gallery, G., & Brown, R. (2010). Financial Literacy and the Perception of Risk in High-Net-Worth Households. *Journal of Financial Service Professionals, 64*(4), 49-57.
- Gennaioli, N., Shleifer, A., & Vishny, R. W. (2015). Money doctors. *The Journal of Finance, 70*(1), 91-114.
- Ghimire, S., & Adhikari, B. (2023). Impact of investment motivation on mutual fund investment decisions: Evidence from Nepal. *Investment Management and Financial Innovations, 20*(1), 1-9.

- Glaeser, E. L., & Scheinkman, J. A. (2001). The social multiplier. *Journal of Economic Growth*, 6 (2), 115-139.
- Gondaliya, V., & Yagnik, J. (2021). A Study on Factor Influencing Mutual Fund Investment. *International Journal of Research in Engineering, Science and Management*, 4(6). Retrieved from <https://www.ijresm.com>
- Grable, J. E., & Lytton, R. H. (1999). Investor risk tolerance: Testing the efficacy of demographics as differentiating and classifying factors. *Financial Counseling and Planning*, 10(1), 61-73.
- Grinblatt, M., & Titman, S. (1994). A study of monthly mutual fund returns and performance evaluation techniques. *The Journal of Financial and Quantitative Analysis*, 29(3), 419-444.
- Hilgert, M. A., Hogarth, J. M., & Beverly, S. G. (2013). Household Financial Management: The Connection between Knowledge and Behavior. *Federal Reserve Bulletin*, 89(7), 309–322.
- Hoffmann, R., Post, T., & Pennings, J. M. (2013). Risk perception, risk preference, and consumer demand for hedged financial products: Experimental evidence. *Journal of Banking & Finance*, 37(8), 3047-3056.
- Hsu, P. H., & Kuan, C. M. (2014). The effects of online trading platforms on investor participation in mutual fund markets. *Journal of Banking & Finance*, 48, 389-399.
- Investment Management Service. (2020). *Mutual Fund Annual Report 2076/77*. Retrieved from <https://www.ims.com.np/wp-content/uploads/2020/09/Mutual-Fund-Annual-Report-2076-77.pdf>.
- Investopedia. (2021). *Mutual Fund*. Retrieved from <https://www.investopedia.com/terms/m/mutualfund.asp>.
- Jensen, M. C. (2001). Value maximization, stakeholder theory, and the corporate objective function. *European Financial Management*, 7(3), 297-317.
- Kacperczyk, M. T., & Wallace, N. (2014). Are there informational inefficiencies in an ETF's pricing? *Journal of Financial Economics*, 111(2), 367-398.
- Kandel, A. (2019). Investors' behavior towards mutual fund investment: A study in Nepal. *Journal of Financial Management, Markets and Institutions*, 7(1), 1-12.

- Kandel, L. R. (2020). Investors' preference towards Mutual Fund: An analytical evidence from Kathmandu Valley. *Pravaha*, 25(1), 103–111. <https://doi.org/10.3126/pravaha.v25i1.31939>
- Khorana, A., Servaes, H., & Tufano, P. (2009). Mutual fund fees around the world. *Review of Financial Studies*, 22(3), 1277-1317.
- Kwok, K. H., Chen, H., & Gao, S. (2019). Risk perception of mutual funds in China. *Journal of Financial Services Research*, 55(3), 329-352.
- Lee, H., & Kim, S. (2020). The role of information sources in mutual fund investment decisions: Evidence from South Korea. *Asia-Pacific Journal of Financial Studies*, 49(2), 245-265.
- Lenard, M. J., Berger, P. G., & Dittmar, R. F. (2003). Mutual fund families: Does more mean better? *Financial Services Review*, 12(4), 289-304.
- Lenard, M. J., Cready, W. M., & Hoffer, G. E. (2003). Explaining mutual fund flows. *Journal of Financial Research*, 26(3), 413-432.
- Li, X., & Zou, H. (2019). The impact of mutual fund regulation on investor welfare: Evidence from China. *Journal of Financial Economics*, 131(1), 174-197.
- Lo, A. W., & MacKinlay, A. C. (2010). *A non-random walk down Wall Street*. Princeton University Press.
- Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), 5-44.
- Maiya, K. R. (2014). Age and investment decision-making: Evidence from Indian mutual fund investors. *Journal of Financial Planning*, 27(6), 40-48.
- Maiya, S. (2014). Investor risk perception and investment decision-making behavior. *International Journal of Business and Management*, 9(9), 1-14.
- Mathur, R. (2015). Determinants of mutual fund investments: An empirical study of Indian retail investors. *Journal of Business and Management*, 17(1), 64-77.
- Mathur, V. K. (2015). Factors influencing investment decision making of retail investors. *International Journal of Marketing and Technology*, 5(3), 53-68.

- Mittal, S., & Sharma, S. (2018). Investor Awareness and Investment Performance: A Study of Indian Mutual Fund Investors. *International Journal of Research in Marketing*, 5(2), 34-47.
- Morningstar. (2021). *Mutual Fund Performance*. Retrieved from <https://www.morningstar.com/articles/937402/mutual-fund-performance>
- Nihar, R. K. and Bhamidipati, P. (2012). Mutual Fund Manager Qualities and Mutual Fund Performance: A Study on Selected Indian Equity Mutual Funds. *International Journal of Business and Management*, 7(10), 147-157.
- Nunnally, J. C., & Bernstein, I. H. (1994). *Psychometric theory* (3rd ed.). McGraw-Hill.
- Parihar, S. (2009). A Study on Investor's Attitude Towards Mutual Fund Investment. *IUP Journal of Applied Finance*, 15(6), 21–33.
- Pathak, R. K., Sahoo, B., & Sahoo, D. (2019). An empirical study on mutual fund performance evaluation: Evidence from India. *Journal of Management and Social Sciences*, 15(1), 1-18.
- Powers, M. R. (2009). The relationship between risk and return in mutual funds. *Journal of Business & Economics Research*, 7(6), 1-12.
- Purohit, H., & Rohella, R. (2015). Investor Awareness and Its Impact on Investment Decisions. *Journal of Business and Management*, 17(5), 76-85.
- Rao, S., & Patel, P. (2021). Impact of Demographic Factors on Investment Decisions in Indian Mutual Funds. *Asian Journal of Finance & Accounting*, 13(1), 1-14.
- Rathnamani, V. (2013). Investors' preference towards mutual funds as an investment option. *International Journal of Management and Social Sciences Research*, 2(6), 48-52.
- Shah, H., & Baser, S. (2012). Factors Affecting Investors' Preference Towards Mutual Fund Investment: An Empirical Analysis. *International Journal of Marketing, Financial Services & Management Research*, 1(7), 154–167.
- Sharma, S. (2013). Impact of Investors' Awareness on Individual Investment Decision: A Study of Mutual Funds. *Business Analyst*, 1(1), 16–22.
- Sharpe, W. F. (1994). The Sharpe ratio. *The Journal of Portfolio Management*, 21(1), 49-58.

- Shrestha, D. P., & Shrestha, Y. M. (2020). Factors influencing investment in mutual fund schemes of Nepal. *Journal of Business and Social Sciences Research*, 5(2), 1-14.
- Shrestha, P. M. (2020). Factors influencing investment decisions of Nepalese investors. *Management Dynamics*, 23(3), 145-156. doi: 10.3126/md.v23i2.35818
- Shrestha, S., & Shrestha, P. (2020). Impact of economic factors on mutual fund investment in Nepal. *Journal of Finance and Investment Analysis*, 9(2), 1-14.
- Singal, V. S., & Manrai, R. (2018). Factors Affecting Investment in Mutual Funds. *Journal of General Management Research*, 5(2), 96-107.
- Singh, J. (2012). A Study on Investors' Attitude towards Mutual Funds as an Investment Option. *Asian Journal of Finance & Accounting*, 4(2), 290–303.
- Singh, J. P., & Bhowal, S. (2009). Risk perception and investment decisions: A study of Indian investors. *The Journal of Risk Finance*, 10(5), 433-449.
- Sitkin, S. B., & Pablo, A. L. (1995). Reconceptualizing the determinants of risk behavior. *Academy of Management Review*, 20(2), 398-418.
- Sitkin, S. B., & Weingart, L. R. (1995). Determinants of risky decision-making behavior: A test of the theory of planned behavior. *Journal of Business Research*, 32(1), 85-98.
- Srividya, L. (2009). A study on investor's perception towards mutual funds as an investment option. *ICFAI Journal of Behavioral Finance*, 6(4), 7-20.
- Stoughton, N. M., & Zechner, J. (1998). Optimal fee structures for pension funds. *The Journal of Finance*, 53(3), 1131-1156.
- Suresh, S. (2022). Determinants of mutual fund investment in Nepal: An empirical study. *Journal of Financial Management and Analysis*, 35(1), 32-45.
- Tamilselvan, P., & Mohanraj, R. (2018). A study on the influence of factors determining mutual fund investment among retail investors. *International Journal of Research in Management, Economics and Commerce*, 8(1), 108-114.
- Vishwanathan, K., & Krishnamurti, C. (2019). Mutual funds and investor protection in India. *Pacific-Basin Finance Journal*, 57, 101-114.

- Vyas, R. (2012). Mutual Fund Investor's Behaviour and Perception in Indore City. *Journal of Arts, Science & Commerce*, 3(1), 67-76. [www.researchersworld.com](http://www.researchersworld.com)
- Wermers, R. (2000). Mutual fund performance: An empirical decomposition into stock-picking talent, style, transactions costs, and expenses. *The Journal of Finance*, 55(4), 1655-1703.
- Wermers, R. (2003). Is money really 'smart'? New evidence on the relation between mutual fund flows, manager behavior, and performance persistence. *The American Economic Review*, 93(5), 1070-1080.
- Yang, J., & Qiu, J. (2005). An empirical study of investor risk behavior under different investment environments. *Journal of Financial Research*, 21(2), 161-174.

## APPENDIX

### QUESTIONNAIRE: Factors Influencing Investors' Decision-Making in Nepalese Mutual Funds

*Dear Participant,*

*I am conducting research for my thesis, titled "FACTORS INFLUENCING INVESTORS' DECISION-MAKING IN NEPALESE MUTUAL FUNDS," as part of my Master of Business Studies (MBS) degree from Shanker Dev Campus, Tribhuvan University. Your participation is vital for this study. Your responses will be confidential and used solely for academic purposes.*

*Thank you for participating in this survey. Your feedback is valuable in understanding the factors influencing investment decision-making in mutual funds in Nepal.*

#### **Section A: Demographic Information**

Please kindly fill up your demographic profile

##### **1. Gender:**

- Male
- Female
- Other (Please specify)

##### **2. Marital Status**

- Married
- Single
- Other (Please specify)

### **3. Age:**

- Under 25
- 25-34
- 35-44
- 45-54
- 55 and above

### **4. Educational Background:**

- Below SLC
- SLC
- Intermediate (+2)
- Bachelor Degree
- Master's Degree
- Doctorate or Professional Degree

### **5. Occupation:**

- Government Employee
- Private Employee
- Business Owner
- Students
- Retired
- Other (Please specify)

### **6. Annual Income:**

- Less than NPR 500,000
- NPR 500,000 - NPR 1,000,000
- NPR 1,000,001 - NPR 2,000,000

- Above NPR 2,000,000

**7. Annual Saving:**

- Less than NPR 100,000
- NPR 100,000 - NPR 500,000
- NPR 500,001 - NPR 1,000,000
- Above NPR 1,000,000

**8. Size of Investment in Mutual Fund Schemes (Percentage of Portfolio):**

- Below 10%
- 10% to 25%
- 25-50%
- 50-75%

**Section B: Factors Influencing Investors' Decision-Making in Mutual Funds in Nepal**

*Please rate your level of agreement with the following statements about the Factors Influencing Investors' Decision-Making in Mutual Funds in Nepal: using a scale of 1 to 5, where 1 indicates Strongly Disagree and 5 indicates Strongly Agree.*

Use the following rating scale:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

<b>FACTORS INFLUENCING INVESTORS' DECISION-MAKING</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Mutual Fund Performance:</b>					
1. The historical performance of mutual funds significantly influences my investment decisions.					
2. I consider the risk-adjusted returns of mutual funds when making investment decisions.					

3. The consistency in achieving investment objectives is an essential factor for me when selecting mutual funds.					
4. The fees associated with mutual funds influence my decision to invest in them.					
<b>Fund Manager Qualities:</b>					
1. I prioritize the track record and expertise of the fund manager when choosing mutual funds.					
2. The fund manager's ability to communicate investment strategies effectively influences my investment decisions.					
3. I consider the fund manager's risk management skills before investing in mutual funds.					
4. The fund manager's long-term perspective plays a significant role in my investment decisions.					
<b>Investors' Awareness Levels:</b>					
1. I actively seek information about mutual funds and financial markets.					
2. I have a good understanding of the risks associated with mutual fund investments.					
3. Financial literacy programs have enhanced my knowledge and decision-making skills in mutual fund investments.					
4. I feel confident in managing my mutual fund portfolio effectively.					
<b>Ease of Investment:</b>					
1. The accessibility of investment platforms influences my decision to invest in mutual funds.					
2. I prefer investment platforms with transparent processes and low barriers to entry.					
3. User-friendly interfaces make it easier for me to invest in mutual					

funds.					
4. Efficient transaction mechanisms contribute to my overall satisfaction with mutual fund investments.					
<b>Investors' Risk Perceptions:</b>					
1. I carefully consider the level of risk associated with mutual fund investments before making any investment decisions.					
2. My perception of the potential downside risks significantly influences my choice of mutual funds.					
3. I tend to avoid mutual funds with high volatility or uncertain performance due to my risk aversion.					
4. I believe that understanding and managing investment risks are essential for achieving long-term financial goals through mutual funds.					
<b>Section C: Investors' Investment Decision-Making in Mutual Funds in Nepal</b>					
<i>Please rate your level of agreement with the following statements about Investors' Investment Decision-Making in Mutual Funds in Nepal using a scale of 1 to 5, where 1 indicates Strongly Disagree and 5 indicates Strongly Agree.</i>					
<b>Investors' Decision-Making in Mutual Funds:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. The historical performance of mutual funds significantly influences my investment decisions.					
2. I prioritize the track record and expertise of the fund manager when choosing mutual funds.					
3. I actively seek information about mutual funds and financial markets.					
4. I prioritize long-term financial goals and objectives over short-term gains when making investment decisions in mutual funds.					

# Factors Influencing Investors' Decision-Making ...

By: Sangita Shakya

As of: Jun 11, 2024 2:49:28 PM  
23,749 words - 115 matches - 6 sources

Similarity Index

7%

Mode:

## sources:

750 words / 3% - from 18-May-2024 12:00AM  
[www.nepjol.info](http://www.nepjol.info)

375 words / 2% - from 26-Sep-2023 12:00AM  
[fdocuments.in](http://fdocuments.in)

196 words / 1% - Internet from 20-Feb-2023 12:00AM  
[discol.umk.edu.my](http://discol.umk.edu.my)

171 words / 1% - Internet from 05-Jan-2023 12:00AM  
[www.grafiati.com](http://www.grafiati.com)

154 words / 1% - Internet from 23-Feb-2023 12:00AM  
[www.researchgate.net](http://www.researchgate.net)

126 words / 1% - from 20-Mar-2024 12:00AM  
[fuw-ijmss.com.ng](http://fuw-ijmss.com.ng)

## paper text:

CHAPTER –I INTRODUCTION 1.1 Background of the Study A mutual fund pools money from multiple investors to invest in securities like stocks, bonds, and other assets, managed by a professional money manager. It's a popular investment option for diversifying a portfolio and accessing professional management. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus (Investopedia, 2021). Several factors can affect mutual funds, including mutual fund performance, fund manager qualities, investors' awareness, ease of investment, and risk perceptions (Morningstar, 2021). Mutual fund performance is the measurement of a mutual fund's ability to generate returns for its investors over time, typically compared to a benchmark or another mutual fund. This measurement can encompass various metrics, including total return, capital appreciation, dividend yield, and risk-adjusted returns. By evaluating a mutual fund's performance, investors can assess how well the fund has performed relative to the market or other investment options (Bodie, Kane, & Marcus, 2022). Mutual fund performance plays a significant role in investment decisions. Investors are often attracted to mutual funds that have a strong track record of performance, as it is viewed as an indicator of the fund's ability to generate returns in the future. In contrast, poor mutual fund performance can lead investors to withdraw their investments and seek other options (Mathur, 2015). Mutual fund manager qualities refers to the specific skills and characteristics that