MUTUAL FUNDS INVESTMENT ANALYSIS IN NEPAL

A Dissertation submitted to the Dean, Faculty of Management in partial fulfilment of the requirements for the Master's Degree

by:

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Mutual Funds Investment Analysis in Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Manisha Rijal

REPORT OF RESEARCH COMMITTEE

Miss Manisha Rijal has defended research proposal entitled "**Mutual Funds Investment Analysis in Nepal**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Rita Maskey and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Mutual Funds Investment Analysis in Nepal**" presented by Manisha Rijal a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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This study entitled "**Mutual Funds Investment Analysis in Nepal**" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving quantitative aspect of finance.

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Manisha Rijal
December, 2024

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ABBREVIATIONS

DPR	:	Dividend Payout Ratio
FAG	:	Fund Assets Growth
IR	:	Interest R
KEF	:	Kumari Equity Fund
LEMF	:	Laxmi Equity Fund - 1
MGMT	:	Management
MPS	:	Market per Share
NAV	:	Net Assets Value
NEF	:	Nabil Equity Fund
NEPSE	:	Nepal Stock Exchange
NIBLPF	:	NIBL Pragati Fund
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
SEBON	:	Securities Board of Nepal

ABSTRACT

The study aims to analyze the determinants of mutual funds' performance in Nepal for period 2018/19 to 2022/23 using interest rate, fund size, dividend payout ratio, fund assets growth and management fees as independent variable while return on assets and return on equity as dependent variables. This study employed descriptive and casual research design. This study select 10 mutual fund as a sample using purposive sampling method. The result showed that return on equity is negatively impacted by fund size and DPR where fund size is statistically significant at 5% level of significance while DPR is significant at 10% level of significance respectively. So, there is linear relationship of ROE with fees, IR, assets growth, DPR and size of firms. ROA is negatively impacted by management fees and it is not significant even at 10% level of significance. Similarly, ROA is positively impacted by interest rate, Size, DPR and fund assets growth, where Size, interest rate and DPR is statistically significant at significance level of 5% respectively. So, there is linear relationship of ROA with Fees, IR, Assets growth, Size and DPR of firms which is similar with the findings of Hammouda et al. (2023) and Haralaya (2022) but contradict with Tian et al. (2022) and Rahman (2021).

Keywords: *Interest Rate, Management Fees, Dividend Payout Ratio, Fund Assets Growth, Mutual Funds, Return on Assets, Return on Equity, Fund Size*

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

A mutual fund is an investment product that enables investors to provide funds to a professional investor (Mobius, 2007). Mutual funds can be invested in a variety of assets, including cash, stocks, holdings, bonds, and portfolios, which are the basic securities types that come together to form a single mutual fund. It is a company that creates a less hazardous portfolio than a single financial advisor would. Investors can purchase a variety of equities, debt, money market, and government assets through mutual funds. Mutual funds are diversified, and lower nominees can effect change with tiny share funds. The shareholder receives the income from the mutual funds that were left over after their capital gains. In any nation's capital market, mutual funds are crucial.

In essence, a mutual fund is a business that pools the capital of several investors (its shareholders) to purchase financial instruments, creating a portfolio that is less risky than what an individual investor would do (Kolosov & Soltanmammedov, 2011). Mutual funds are investment firms that invest in stocks, bonds, and other assets by combining your money with the money of thousands of other individuals (Tyson, 1996). A mutual fund is a collection of investor funds used to purchase securities such as stocks, bonds, money market instruments, etc. Passive, risk-averse investors seeking diverse investments are the ones who favor it the most.

Only with the creation of the "NCM Mutual Fund 2050" in 1993 did the history of mutual funds begin. As of February 2024, there are 35 active closed-ended mutual fund schemes that offer investors in the mutual fund market investment alternatives and are listed and traded on the Nepal Stock Exchange. of which seven are mutual funds that are open-ended.

When making investment decisions, investors consider the fund's performance. Numerous investigations have been carried out to ascertain the factors influencing the fund's performance. Mutual fund performance fluctuates based on a number of parameters, which are often referred to as mutual fund features or mutual fund determinants.

The net asset value (NAV), which is determined by deducting fund liabilities from the entire market value of the portfolio's assets, is the price at which mutual fund shares are traded every day. The net asset value is divided by the total number of outstanding shares to determine the price per share.

The creation of a capital market that can satisfy the nation's financial needs can lead to economic growth. Financial institutions, which can generate savings from the general public and provide capital for investment purposes, are essential parts of the financial system. One such financial entity that raises money by selling tiny units to the general public and distributing it to different sectors for investment is the mutual fund business (Rani & Hooda, 2017).

An investment vehicle known as a mutual fund is composed of funds gathered from numerous participants with the intention of investing in securities, including stocks, bonds, money market instruments, and other assets. Professional money managers oversee the operation of mutual funds, allocating investments and working to generate income and financial gains for fund investors. The portfolio of a mutual fund is managed and constructed to align with the investment goals specified in the prospectus. Small and individual investors can access professionally managed portfolios of stocks, bonds, and other securities through mutual funds. As a result, each stakeholder shares proportionately in the fund's gains or losses. The success of mutual funds, which invest in a variety of assets, is typically measured by the change in the fund's overall market capitalization, which is calculated by adding up the performance of the underlying investments. At the current net asset value (NAV) per share, commonly known as NAVPS, mutual fund units or shares can normally be bought or redeemed as needed. The total value of the securities in the portfolio divided by the total number of outstanding shares yields the net asset value (NAV) of a fund (Chen, 2018).

The first formal technique was Treynor's (1965) combination of risk and return in a single performance metric. Then, as an alternative method, Sharpe (1966) employed the ratio of the portfolio's risk premium divided by the return's standard deviation. Following Sharpe, Jensen (1968) employed risk-adjusted excess return to gauge mutual fund performance, and Jensen alpha, a third metric created to account for systematic risk, is used to evaluate the portfolio's additional return or loss. These methods, which are still often employed to

measure and assess mutual fund performance, are based on the Capital Asset Pricing Model (CAPM).

According to Rahman's (2021) research, fund size and maturity have a significant positive impact on the CEF discount, while turnover has a significant negative impact. The study also found that the weight of the top ten investments, dividend yield, and fund age have no significant impact on the CEF discount. The findings indicate that fund size has a negative insignificant relationship with return on equity, while earnings per unit has a positive insignificant relationship with return on equity.

EPU, interest rates, and inflation all had a favorable but statistically significant impact on the return on savings money reserves, according to research by Haralaya (2022) and Lisak (2022). Similar findings were made by Dave and Raval (2022) and Venkataraman and Rao (2023), who discovered that ROA and ROE were adversely correlated with fund size, dividend payout ratio, and management fees.

Professional fund managers oversee mutual funds and build customized portfolios based on investing goals. Mutual funds in Nepal are regulated by: Regulations for Mutual Funds, 2067 (2010 A.D.) Directive on Mutual Funds, 2069 (2012 A.D.) In Nepal, however, mutual funds have been around for roughly ten years. Our primary offerings are closed-ended mutual funds with an initial public offering (IPO) and a set maturity period of five, seven, or 10 years.

A certified fund manager selects and oversees the investments in a mutual fund, buying and selling assets to maximize the fund's growth. The fund management looks out for the interests of the unit holders. Annual dividends and the entire amount at the conclusion of the investment's maturity period are paid to investors. When compared to other investing options, mutual funds are relatively safer. They are very varied. Similarly, any misconduct by the fund managers is regulated by the Securities Board of Nepal (SEBON). Institutions and the general public contribute money to mutual funds. Every investor in a mutual fund is a "unit holder" of the mutual fund scheme. According to their respective investment amounts, each unit holder receives an equal part of the funds' gains and losses. Rather than any specific security in which the fund is invested, investors are entitled to profits and losses realized on the entire portfolio.

Nonetheless, over the last seven years (2015–2022), the average annual return on fixed deposit rates offered by banks and financial institutions (Class A, B, and C) has been 8.57%, while the average annual return on mutual funds traded on the Nepal Stock Exchange is 15.76%. According to the law, all funds must pay out their accrued dividends at least once a year. Dividends will be paid on a quarterly or even monthly basis by those that are designed to generate current revenue. In order to reduce administrative expenses, however, a large number of others merely distribute dividends annually or semiannually.

1.2 Problem Statement

The inability of many mutual funds to sustain steady performance over time begs the question of whether fund managers can reliably produce greater returns. According to a research by Carhart (1997), there is little proof that mutual fund performance is persistent, meaning that funds that have performed well in the past might not do so in the future. It is debatable if this information is sufficient for unit holders and investors to make investment decisions. Clearly, a more thorough examination of the mutual fund Rauniyar (2016) is required. Therefore, evaluating the performance of different mutual funds can help investors choose the best mutual fund for their investment goals and provide information about the key factors that affect mutual fund performance.

According to Bajracharya (2016), the mutual fund industry in Nepal is expanding and adding more new funds each year. Since the mutual fund's offer price was only NRs 10 per unit when it was issued by the scheme manager Rauniyar (2016), even modest investors can afford it.

It can be difficult to compare mutual fund performance to suitable benchmarks. Investors frequently struggle to choose the appropriate benchmark, and it is challenging to evaluate fund performance precisely due to the absence of a widely recognized norm. Finding a suitable benchmark for assessing the performance of mutual funds is a persistent difficulty, according to a study paper by Fama and French (2010). Rahman (2021) demonstrated that the size of mutual funds and management fees do not correlate over the long term. Interest rates have a major beneficial impact on management fees in the short term. However, management costs are unaffected by the rise of funds' assets. According

to the study's findings, interest rates are thought to be the best instrument for ensuring the stability and safety of financial institutions. According to Tian et al. (2022), management costs and fund performance are negatively correlated. According to the findings, managers can increase value for their shareholders by cutting back on fees.

According to a 2020 assessment by the Investment Company Institute (ICI), dynamically managed equities mutual funds have higher expense ratios than inactively managed equity mutual funds. These exorbitant expenses may reduce investors' earnings and detract from the fund's overall appearance. Liquidity has a favorable but statistically insignificant impact on ROA and ROE, according to Jain, Singal, and Dwivedi (2021). Similarly, a study by Rahman and Subot (2022) discovered that the dividend payment is the variable most strongly correlated with ROA, while interest rates have a significant positive relationship with ROA. In contrast, ROA is less affected by fund size, asset growth, and management fees.

According to Bai and Ng's (2005) findings, in the situation of normalcy, the probability value of skewness is more predictive than kurtosis. According to this theory, the probability value of skewness for the variable "Fund Age" indicates that the null hypothesis is rejected and that the variable is essentially normal. The null hypothesis was refuted by "Return on Equity," "Interest Rate," "Fund Size," "Dividend payout ratio," "Fund Growth," and "Management Fees." It indicates that the variables listed below have a normal distribution. Subot and Rahman (2022).

According to Malkiel (1977), large dividend payout ratios are advantageous to investors. The findings of the Swedish market study indicated that the discount increased with the amount of dividends paid. Egerot and Hagman (2011), which runs counter to the anticipated outcomes. Some academics believe that investors prefer high dividends because they indicate a favorable view for future cash flows (Starks and Yoon, 1995).

The size of close-end funds produced by the same fund company has a positive correlation with CEF's earnings, as demonstrated by Chan, Kot, and Lee (2008). Globally, mutual funds are attempting to quicken growth by sustaining several present trends, including an emphasis on risk management, regulation, and product creation. (Deloitte) All of those studies contain a large number of mutual funds in their dataset, according to

Deloitte (2016). However, there are not many mutual funds listed in Nepal, and investors only receive the weekly NAV and monthly balance statement. The manager of a mutual fund may wonder if this information is sufficient for investors and unit holders.

It will naturally draw the conclusion that a more thorough examination of the mutual funds is required. Therefore, evaluating performance and doing comparative analysis can assist investors in determining the returns of specific schemes as well as the relationships between various variables. As a result, this study adds to the body of knowledge regarding the efficacy of mutual fund management in developing nations.

- What is the existing financial performance of mutual fund in Nepal?
- What is relationship between dividend pay-out ratio, fund size, management fees, fund assets growth and interest rate with ROA and ROE?
- How does dividend pay-out ratio, fund size, management fees, fund assets growth and interest rate effect ROA and ROE?

1.3 Objectives of the Study

The study's primary goal is to assess how well mutual fund schemes are performing in Nepal. The following are the precise goals:

- To assess the existing financial performance of selected mutual fund.
- To examine the relationship between dividend pay-out ratio, fund size, management fees, fund assets growth and interest rate with ROA and ROE.
- To analyse the impact of dividend pay-out ratio, fund size, management fees, fund assets growth and interest rate on ROA and ROE.

1.4 Rationale of the Study

Recently, scholars from all over the world have become interested in Nepal's mutual funds. Compared to the previous partial scope, this had a substantial impact on Nepal's mutual fund business. Although the mutual fund business has seen tremendous growth, it continues to be a modern marvel that has contributed to the development of the Nepalese economy. We selected the Nepalese mutual fund market for this study due to its unique features. To far, no thorough study of mutual funds has been conducted in Nepal. This will be the first time a comparative analysis has been attempted. Only ten close-end mutual funds are taken into consideration for this study out of the thirty-five close-end

and six open-end mutual funds that trade on NEPSE. Mutual funds are highly developed in other markets, but in the context of Nepal, this study will provide insight into the emerging country's mutual fund business and aid in the efficient management of future mutual funds. Without a doubt, this study will be significant to many groups of people, but it is specifically targeted at the following groups:

Your customers are the most crucial component of your business, regardless of the sector you operate in or the kind of goods and services you offer. There are no sales if there are no customers. They therefore play a crucial role in creating your marketing strategy and messaging (Anwar, 2017). Government policies outline why certain things should be done a certain way and why they should be done that way. There are countless ways that public issues might arise, and each one calls for a distinct approach to policy. Many business-guiding policies are established by governments (Joshi, 2016). Informing action, obtaining evidence for theories, and advancing knowledge in a field of study are the three primary goals of research. Understanding and decision-making are enhanced by research. It is the most useful instrument for comprehending the intricacies of an issue, rejecting false information, defending the truth, and expanding on existing knowledge to produce true and trustworthy knowledge. Researching improves comprehension and strengthens decision-making skills (Ali et al., 2022).

1.5 Limitations of the Study

Due to the recent emergence of the mutual fund business, its accessibility to investors has been restricted. Investors preferred to put their money into their own businesses rather than riskier ventures. Additionally, Nepal has only had a small amount of material examined, compared to the majority of literature reviewed from other nations. A portion of the literature is not relevant to the situation in Nepal.

- Due to the limited operating period and unavailability of data of all the mutual funds, only 10 mutual fund schemes are selected.
- Dividends are not considered under study due to unavailability of regular basis dividends provided by mutual funds in Nepal.
- Five years data is used due to limited operating period i.e. 2018/19 to 2022/23 and unavailability of annual data of all the mutual funds for longer period. , the data

available is limited so the study has to continue from the available data provided by the mutual fund websites and from other mutual fund regarded websites

- Result is not survivorship bias free due to unavailability of data.

CHAPTER - II
LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Conceptual Review

Professional fund managers oversee mutual funds and build customized portfolios based on investing goals. Mutual funds in Nepal are regulated by: Regulations for Mutual Funds, 2067 (2010 A.D.) Directive on Mutual Funds, 2069 (2012 A.D.) In Nepal, however, mutual funds have been around for roughly ten years. Our primary offerings are closed-ended mutual funds with an initial public offering (IPO) and a set maturity period of five, seven, or 10 years.

A certified fund manager selects and oversees the investments in a mutual fund, buying and selling assets to maximize the fund's growth. The fund management looks out for the interests of the unit holders. Annual dividends and the entire amount at the conclusion of the investment's maturity period are paid to investors. When compared to other investing options, mutual funds are relatively safer. They are very varied. Similarly, any misconduct by the fund managers is regulated by the Securities Board of Nepal (SEBON). Institutions and the general public contribute money to mutual funds. Every investor in a mutual fund is a "unit holder" of the mutual fund scheme. According to their respective investment amounts, each unit holder receives an equal part of the funds' gains and losses. Rather than any specific security in which the fund is invested, investors are entitled to profits and losses realized on the entire portfolio.

Nonetheless, over the last seven years (2015–2022), the average annual return on fixed deposit rates offered by banks and financial institutions (Class A, B, and C) has been 8.57%, while the average annual return on mutual funds traded on the Nepal Stock Exchange is 15.76%. According to the law, all funds must pay out their accrued dividends at least once a year. Dividends will be paid on a quarterly or even monthly basis by those that are designed to generate current revenue. In order to reduce administrative expenses, however, a large number of others merely distribute dividends annually or semiannually.

A. Investment companies

One kind of financial organization that issues shares to the general public is an investment company. To achieve a certain investment goal, the funds received from shareholders are combined and invested in a variety of stocks, bonds, and money market assets. These businesses are specialized financial intermediaries that raise capital by investing in a portfolio of assets and selling investors shares of low value. These businesses charge a management fee for the expert services they offer to investors.

Investment firms are crucial in Nepal because they help small investors turn their accumulated funds into profitable ventures. Regularities and the government are not giving it the attention it needs. Investment firms are important to the economic growth of industrialized nations. However, Nepal is unable to further the growth of investment firms. Holding and managing securities for investment purposes is an investment company's primary goal. Investors have access to a wide range of funds and investment services, such as recordkeeping, custodial, legal, accounting, tax management, and portfolio management. Providing assistance to investors who are ignorant of the different nuances of investing is the role of investment companies. These businesses are run using the NAV idea.

Unmanaged investment firms and managed investment companies are the two categories of investment companies. In the same way as managed investment companies are separated into closed-end and open-end funds, unmanaged investment companies are further subdivided into unit investment trusts (UIT).

a. Unmanaged investment companies

An investing firm that provides investors with a fixed, unmanaged portfolio, stocks, and bonds as redeemable units for a predetermined amount of time. Unit investment trusts (UIT) are another name for it. Like a mutual fund, a UIT often issues redeemable securities or units, meaning that it will repurchase an investor's unit at the investor's request for its approximate net asset value (NAV). The termination date of UIT is specified at the time of its creation. The investment portfolio of a UIT is not actively traded.

Managed investment companies

An investment business that has a portfolio that can be changed at the manager's discretion is known as a managed investment company. This kind of business elects its board of directors from among its shareholders and employs a management firm to oversee the portfolio in exchange for an annual fee that usually falls between 0.2 and 1.5 percent.

There are two types managed company:

1. Open-end investment company
2. Closed-end investment company

Open end and Closed end mutual fund

There are two kinds of mutual funds: open-end and closed-end. A collective investment plan known as an open-end mutual fund has the flexibility to issue and redeem shares whenever it pleases. The open-end fund's capitalization is open, and the quantity of outstanding shares fluctuates regularly. Usually, the net asset value (NAV) of the fund is used to redeem these kinds of fund shares. The net asset value per share of an open-end fund determines the share price. Since open-end funds are prepared to redeem shares at NAV, their price cannot drop below that level. The behavior of open-end funds' share prices is not confusing. An open-ended mutual fund is typically prohibited by law from borrowing money, trading options, and entering into futures contracts. In industrialized nations, open-ended mutual funds are widely used.

The collective investment concept of a closed-end mutual fund is based on the issuance of a predetermined number of shares that are not redeemable from the fund. It operates with a certain number of outstanding shares, and this kind of fund does not frequently issue additional stock. The capitalization of closed-end mutual funds is fixed. The market price is used to trade closed-end mutual fund shares. By legislation, a closed-end fund is able to borrow funds and trade future contracts and options. The stock exchange sets the price of closed-end fund shares by taking supply and demand into account, among other factors. Shares in closed-end funds are typically issued at a premium to NAV. Following issuance, the share price may sell below or above NAV. The behavior of open-end funds' share prices is perplexing.

b. Mutual fund schemes

The highest regulating authority for Nepal's capital market is the Securities Board of Nepal (SEBON). Before any mutual fund scheme may operate and regulate its activities in the market, it must need approval from SEBON. Mutual fund schemes might be solution-oriented, based on investment principles, or based on the fund's maturity. In Nepal, there are currently twenty-seven mutual fund schemes in total, of which three are open-end and twenty-four are closed-end.

B. NEPSE

The sole stock exchange in Nepal is NEPSE. Investors can purchase and sell stocks on this secondary market. The NEPSE currently has 255 firms listed. There are currently 50 broker members spread throughout 43 branches. NEPSE's primary goal is to provide government and corporate securities with free marketability and liquidity by enabling transactions on its trading floor through its members and market intermediaries, including brokers and market makers.

C. Mutual fund performance

Numerous appealing mutual funds with strong performance are available. The past performance of mutual funds has been the subject of numerous research. Approximately half of mutual funds outperformed the market overall on a risk-adjusted basis, according to the majority of gross performance analyses. However, after accounting for expenses, only roughly one-third of funds outperformed the market on a risk-adjusted basis.

The first formal technique was Treynor's (1965) combination of risk and return in a single performance metric. Then, as an alternative method, Sharpe (1966) employed the ratio of the portfolio's risk premium divided by the return's standard deviation. Following Sharpe, Jensen (1968) employed risk-adjusted excess return to gauge mutual fund performance, and Jensen alpha, a third metric created to account for systematic risk, is used to evaluate the portfolio's additional return or loss. These methods, which are still often employed to measure and assess mutual fund performance, are based on the Capital Asset Pricing Model (CAPM).

Liquidity

The ability to cover short-term operating needs using cash or cash equivalents is known as liquidity. Liquidity can be defined as the quantity of liquid assets that can be used to settle debts and costs as they become due. The cash balance that is available at the end of each month and is shown on each mutual fund's monthly balance sheet is known as liquidity. Unlike open-end mutual funds, closed-end funds do not retain monies for redemption.

2.2 Empirical Review

2.2.1 Review of International Articles

Venkataraman and Rao (2023) studied stochastic dominance algorithms with application to mutual fund performance evaluation. Establishing the quartile method for testing for first- and second-order dominance that is ineffective under third-order was the aim of the study. Descriptive statistics and correlation analysis between the fixed effect model were employed in the study. According to the study, even though an investment is efficient, it is third-order inefficient. It is also not possible to assign an inefficient investment to the inefficient collection. To check for third-order efficiency in this job. The investigation came to the conclusion that the formulas for the functions necessary to determine their limitations on the common grid of the pairwise investments under examination and to assess the potential of third-order stochastic dominance at the interior locations...

Hammouda et al. (2023) examined on the short-term persistence of mutual fund performance in Europe. Examining the short-term persistence of mutual fund performance in the major European markets is the aim of the study. For every country, the analysis discovered statistically significant persistence in the post-ranking quarter across various performance models. The analysis came to the conclusion that the data is consistent across all deciles, including mutual funds in the top and worst deciles. We also expand our research to include times of high inflation.

Agarwal (2023) researched on managerial multitasking in the mutual fund industry. The study's hypothesis was that multitasking would limit a manager's investment possibilities or cause them to pay less attention to their money. The data in this study was analyzed using the structural equation modeling (SEM) technique. A single-tasking manager's

performance significantly deteriorates when they convert to multitasking, according to the study. The study came to the conclusion that giving a portfolio manager more work should be done with caution since it will eventually hurt the fund family's capacity to draw in capital and negatively impact fund performance.

Chauhan (2023) conducted a research on Mutual funds' performance and relative strength of factor exposures. This study aims to quantify the performance of mutual fund managers by attributing it to their capacity to deploy these securities more effectively than their benchmarks (allocation effect) and to select better stocks (selectivity effect). The data was analyzed in the study using analysis of the covariance (ANCOVA). The study discovered that while some funds, particularly the winners, allocate securities in their portfolios better than their benchmarks (the allocation effect) based on their exposures to specific factors (e.g. the momentum factor for the winner funds), the manager's ability to select better securities than the benchmarks (the selectivity effect) appears modest. However, funds do not always have the ability to foresee the momentum factor, even though they constantly benefit from their ability to accurately predict the size and value elements.

Haralaya (2022) argued to give a phase to understanding what the customer needs and what is being given to overcome any obstruction between client desire and the real administration rendered. For the advantage of the financial specialist, also known as the unit holders, who maintain a virtuous rata portfolio, securities are properly managed. They coordinate drive on confusing and irregular money-related market operations. The implementation of cost-cutting segment stores. These measures, such as typically safe takers, direct daring folks, and high daring individuals, aid in selecting the optimal venture conspire based on the level of risk. The relapse's aftermath revealed that the four indicators/marketers—interest rates, inflation, IR, and balance of exchange—had a 0.818% impact on the returns of savings funds. For those that might wish to manage and improve the way your admiration is executed, this information might be helpful. Shared assets are now the preferred means of long-term contribution for speculators. Common funds give the chance to invest in a diversified, professionally managed portfolio with little to no impact, making them one of the most popular solutions for risk-averse financial professionals.

Lisak (2022) investigated the efficiency of mutual funds as measured by the rate of return. Determining if funds with reduced total risk, as indicated by standard deviation, experienced lesser losses is a crucial aspect of the research. Using traditional mutual fund performance metrics adjusted for negative returns, such as the Sharpe, Treynor, and Jensen alpha indicators as well as the Israelsen and Treynor ratios adjusted for negative returns, the research methodology analyzes the performance of twenty Polish open-ended mutual funds over three distinct time horizons. The returns of these funds have been found to be directly impacted negatively by the financial market's high level of volatility. It seems that some of the examined equity funds outperformed, say, stable growth funds when comparing the Treynor ratio adjusted for negative return values. The examined stable growth funds did not provide investors with greater value relative to the overall risk incurred in the event of high stock market volatility, either in the short or long term. This is especially evident when looking at three-year and annual results. This is because, mostly as a result of declining debt securities prices brought on by rising interest rates, asset diversification did not fully function during the significant market volatility that has been present since the start of 2022. Because the Israelsen ratio favors lower-risk funds and ignores the relationship between risk and return, it may not be the best way to compare funds with similar negative rates of return and varying volatility measurements. For this reason, the article also helps readers understand how to interpret the Sharpe and Israelsen ratios.

Harlaya (2022) conducted shared store industry which is standout amongst the most rewarded venture alternatives over the world, it assumes a significant part in the financial advancements of a nation. Their dominance in the capital market and currency market indicates a common asset dynamic contribution. They are also widely recognized on the stock exchange for their persistent consumption of coasting stocks, which guarantees their strength as a source of significant subsidizes. One component of a trust that combines the money of large speculators and invests it in unique venture roads is a common store. These ventures include offers, liabilities, currency advertising, government securities, settlement stores, and so forth. For the advantage of the financial specialist, also known as the unit holders, who maintain a virtuous rata portfolio, securities are professionally managed. They also coordinate efforts to address confusing and irregular money-related market actions. Given that family divisions provide a notably high In the Indian context, the climb of essential stores is the ultimate result of restrictions on record-keeping, a way

to access the capital market's effects, and a review of inspections. This would enable stockbrokers to better serve their clients and strengthen their relationships with them. In order to remove any barriers between the client's wish and the actual administration provided, this investigation is suitably designed to provide a phase for knowing what the customer requires and what is being delivered. For those that might wish to manage and improve the way your admiration is executed, this information might be helpful.

Tian et al. (2022) investigated to use the return-variance-liquidity framework to evaluate the performance of the funds. Additionally, using the proper DEA models, we empirically analyze 28 CSTMF funds. First, we make some comparisons with the conventional paradigm of mean-variance. * The findings indicate that the duration of the lock-up periods significantly affects the fund's performance, providing crucial direction for the investment approach. In conclusion, we do benchmarking analysis for the 28 funds, present a novel DEA model, explain how to lower liquidity risk based on the given return and variance, and offer insightful investment recommendations by fusing these with sensitivity analysis. In total, three conclusions can be drawn: (1) Portfolios made up of funds with shorter lock-up periods can improve the majority of inefficient funds. (2) A portfolio can attain the present return and variance levels for certain inefficient funds with shorter lock-up periods. (3) Funds with shorter lock-up periods are more stable than those with greater efficiency rankings. * The lock-up periods of various CSTMFs will determine their liquidity consequences. In this study, we support the use of the lock-up period in order to assess the funds' portfolio efficiency.

Murthy et al. (2022) examined the performance evaluation of Indian mutual funds is carried out through relative performance Daily closing NAV of different schemes have been used to calculate the returns from the fund schemes. For the market portfolio, NSE-Nifty has been utilized. ANOVA, Treynor Index, Sharpe Index, Standard Deviation, and risk and return analysis are used to evaluate mutual fund performance. The Indian Mutual Fund Association is the data source. The trial will run from April 2019 to March 2022.The findings imply that during the study period, the majority of mutual funds had positive returns. The best way to invest in the capital market is through mutual funds.

Dave and Raval (2022) studied toprovide the knowledge and understanding for the small investors in terms of analyzing mutual fund schemes for better decision making. Over a

five-year period, the study examined seven mutual fund programs in the public sector. The study's parameters include the Sharpe index, standard deviation, year-over-year return, and the simple average return across the investment period. The study's findings showed that all mutual fund plans in the public sector had produced higher returns than the risk-free returns provided by post office schemes. The study also found that although while the Sharpe index and standard deviation are statistically better tools, investors should use the simple average return throughout the course of the investing term in order to make better judgments. From a risk and return perspective, public sector mutual fund schemes are a preferable option for small investors because of the positive return achieved per unit of total risk in each scenario. The study came to the conclusion that small investors should incorporate the Sharpe index, standard deviation, and average return during the investing term as elements in their decision matrix in order to make better decisions.

Farid and Wahba (2022) researched the effect of fund size on mutual funds' performance in Egypt. Over the past few decades, the rise of mutual fund investments and their significance to different economies have grown. The success of mutual funds is influenced by a number of factors, one of which is fund size. The study will look into how fund size affects the performance of mutual funds in Egypt. The findings indicated that age significantly impairs mutual fund performance, and that log net asset value (NAV) (log fund size) significantly impairs mutual fund performance. The study also came to the conclusion that the performance of mutual funds is significantly impacted by the type of fund. The performance of mutual funds is significantly improved by log total fund expense.

Pandey (2022) researched on effect of decisional factors on mutual funds actual purchase behavior among Indian investors. Indian investors have long been interested in investing and saving money. Mutual funds have emerged as the preferred investment option in the Indian economy, replacing more conventional options like gold and other precious metals. The Indian economy benefits from the financial industry, and one of the industries with the greatest growth is mutual funds. Mutual funds simplify, open up, and lower the cost of investing and saving. As a result, it is now essential to examine mutual funds from a different perspective, concentrating on investor perception, expectations, subjective norms, and purchasing behavior. The number of indicators that emphasize investors' real

purchasing behavior toward mutual funds is the main topic of this research study. Experienced mutual fund investors from all around India participated in this study, which used the survey method to gather data. Data was analyzed using structural equation modeling (SEM) in SPSS Amos 20. The findings indicate that the subjective norms and perceived risk of a purchase have an impact on the involvement of investors in the decision to buy. Additionally, it was discovered that an investor's real purchasing behavior is significantly influenced by the function that mutual fund information processing and search play.

Rahmen and Subat (2022) analyzed to investigate the Mutual Fund industry's performance in Bangladesh, considering the close-end mutual funds of 32 listed funds in the Dhaka Stock Exchange, Bangladesh. From 2014 to 2019, the study used imbalanced panel data analysis. In an effort to examine the performance of mutual funds while taking into account a number of essential criteria, including return on assets, interest rate, fund size, fund age, dividend payout ratio, net asset growth, and management fees, an error-corrected panel data regression model was used. The RE GLS regression model is chosen to explain this panel data analysis after autoregressive disturbance has been corrected. It shows that interest rates and return on assets are significantly positively correlated. In reaction to the shift in return on assets, the study finds a strong inverse link between fund age and asset growth.

Additionally, it comes to the conclusion that when defining mutual fund performance, there is no discernible predictive power between fund size, dividend payout ratio, and management costs and return on assets. By examining the significant correlation between the following variables and the fundamental performance indicator, the study closes the gap. The empirical analysis's conclusions imply that when choosing mutual funds to invest in, investors should closely consider fund age, asset growth, and earnings. It has been observed that as performance and management fees begin to decline, the corporation typically pays out smaller dividends. Determining the decreasing trends in asset growth and dividend payout in relation to the fundamental management fees ratios should also be a priority for policymakers.

Mahar (2021) investigated on determinants of mutual funds’ performance: a review article. The study examines the body of research that focuses on identifying the variables

that affect mutual fund performance. Based on the body of available knowledge, the goal is to determine the elements that influence mutual fund performance. It offers an overview of the research on the performance of mutual funds. The size of the fund, turnover, and management effectiveness are some of the significant aspects that have been covered in the article and may influence the return of mutual funds. The performance of mutual funds is more influenced by these factors. To examine the future use of determinants in various markets, these factors may be further assessed separately or in combination in various global financial markets.

Rahman (2021) analyzed the study to perform a relevant study on the closed-end fund puzzle in the perspective of an emerging market. During the 2016–2019 sample period, quarterly data on 36 closed-end mutual funds traded on the Dhaka Stock Exchange is gathered. By looking at earlier studies, dependent and independent factors are plotted out. To examine the effect on CEF discount, explanatory variables such as dividend yield, turnover, age, maturity, fund size, and weight of the top ten investments are used. To make sure the analysis is reliable, a fixed effects panel regression is run on the data set with a few diagnostic checks. The findings indicate that the CEF discount is significantly impacted by turnover and the variable fund size and maturity, while the weight of the top ten investments, dividend yield, and fund age have negligible effects.

Kaur (2021) examined the risk and return component among these mutual funds, to study the relationship between NAV and market portfolio return and to evaluate the return of mutual funds according to the Fama’s model. The study assessed the performance of 23 sample schemes that were chosen based on weekly returns in comparison to benchmark returns. According to the study's findings, open ended debt mutual funds have not outperformed the benchmark indicators. The schemes' average return is lower than that of the market index. The empirical findings demonstrated that the schemes are less volatile than the market when considering total risk. It is discovered that the fund managers' selectivity and market timing skills are lacking.

Jain, Singal and Dwivedi (2021) studied to review about the mutual fund investment policies and strategies used in previous years by various researchers. The study has examined fourteen mutual fund studies. The study's primary goal was to focus on the numerous mutual fund studies that have been carried out both inside and outside of India.

The study employs a number of approaches, including the Jensen measure, the Fama criteria, Treynor's methodology, the variability ratio, the ratio analysis, the analysis of variance, the chi-square technique, the analysis of data planned with the aid of the mean, the Jensen and correlation techniques, and the Sharpe and Jensen techniques. According to the research contribution of Sharpe, Jensen, and Treynor, their mutual fund evaluation parameter has become a standardized instrument used practically everywhere in the globe. Some academics began evaluating mutual funds using the Fama's method for variance analysis, moving average, and decomposition. The majority of researchers also employ regression analysis. According to the scant research available, the mutual fund business in India has expanded rapidly during the past ten years. From 2008 to 2013, mutual fund performance lagged behind the market return. Beginning in 2012, performance began to improve in tandem with the stock market. Mutual fund performance is mostly impacted by sectorial funds.

Zeeshan (2020) examined the risk adjusted performance, timing and selection abilities of conventional and Islamic mutual funds in the context of Pakistan. Investors in mutual funds are now faced with the dilemma of choosing between conventional and Islamic funds due to the rise of Islamic portfolios in recent years. The study examines data from 90 (90) open-ended funds, 45 of which are from Islamic and conventional funds, which were chosen at random from the current pool of open-ended mutual funds between 2011 and 2019. We use asset pricing models, such as the Treynor and Mazuy (1966) model for projecting their timing and selectivity, and the CAPM (1966) and Fama French three factors (1993) models to quantify risk-adjusted performance. The findings show that conventional funds outperform Islamic funds in terms of risk-adjusted performance, and that conventional funds are better at selecting and predicting the market than their Islamic counterparts. The study will help investors identify funds that perform better and will have some ramifications for asset management company managers in choosing their finest portfolios and making timely investments.

Narayanasamy and Rathnamani (2020) analyzed the performance of a growthscheme of a selected mutual fund, to examine the return from the selected mutual fund, to know whether the mutual funds are able to provide reward to variability and volatilityand to identify security market return with fund return. Five equities mutual funds were the subjects of the study. Secondary data were employed in the study. Alpha, beta, standard

deviation, R square, and Sharpe ratio are the methods and instruments used to assess mutual fund performance. It was discovered that during the study period, the entire sampled equity fund did well. According to the study's findings, every fund—aside from Reliance Vision—performed admirably during the extremely erratic market movement. Therefore, in addition to NAV and total return, investors must take into account statistical factors like alpha, beta, and standard deviation when making mutual fund investments in order to guarantee consistent mutual fund performance.

Gyimah, Addai and Asamoah (2019) conducted a research on macroeconomic determinants of mutual funds' performance in Ghana. This study looks at how important macroeconomic factors affect the financial performance of mutual funds in Ghana. We use the Autoregressive Distributed Lag (ARDL) model's Pooled Mean Group (PMG) estimation to examine the macroeconomic factors influencing mutual funds in Ghana from 2007 to 2016. The study shows a homogeneous long-term negative significant influence of the monetary policy rate on the financial performance of mutual funds, as well as homogeneous long-term positive impacts of GDP growth, inflation, T-Bill, and exchange rates. The study also demonstrates that the financial performance of mutual funds is impacted by the T-Bill and monetary policy in a variety of short-term, substantial ways. In contrast to many earlier research that estimated the performance of mutual funds using stock data, this analysis used accounting data. Second, as the majority of earlier research overlooked the monetary policy rate, we included it in our study variables. Lastly, our study's findings add to our understanding of how macroeconomic factors affect mutual fund performance over the long and short terms from the standpoint of a developing nation.

Bialkowski and Otten (2018) examined the study that provided evidence on the performance of mutual funds in a prominent emerging market in Poland. The study of an emerging market offers a great chance to investigate if the general opinion that mutual funds cannot outperform the market in mature and highly efficient markets also applies to less efficient markets. The study noted that inadequate financial markets and legal systems in emerging nations may have a detrimental effect on performance. The fund managers may be able to effectively use security selection and outperform the market due to a certain degree of market inefficiency. The study examined mutual fund performance using a survivorship bias-controlled sample of 140 funds and provided an overview of the

polished mutual fund company. The four-factor asset-pricing model is used for the latter. The study also looked into whether Polish fund managers perform with persistence and hot hands. Lastly, the impact of fund attributes on risk-adjusted performance is taken into account. As evidenced by their negative net alphas, the aggregate findings imply that Polish mutual funds generally lack the capacity to add value. It is interesting to note that domestic funds perform better than funds invested abroad, suggesting that local investors have informational advantages over foreign ones. Lastly, it found that mean returns remained strong for up to a year. According to noticeably positive alphas, it is remarkable that winning funds can outperform the market. These findings differed from research on established markets, which found that even previous winners cannot outperform the market by a large margin.

Shukla (2018) conducted a study on a comparative performance evaluation of selected mutual funds. The study's goals are to analyze the performance of particular mutual fund schemes across five different categories, look at the mutual funds' returns, determine whether they can reward volatility and variability, and compare the return of the funds to the return of the securities market during the study period. The Sharpe ratio, alpha, beta, and standard deviation are the instruments and methods utilized in the research. The study discovered that, with the exception of 2013, when infrastructure funds lagged behind, all of the funds had good returns and a favorable association with the Nifty. It was determined that the infrastructure had the highest risk, the mid and small cap had the highest return, and the hybrid had the lowest risk.

Grinblatt and Titman (2017) conducted a study a study of monthly mutual fund returns and performance evaluation techniques. According to the study, when the same benchmarks are used, the measures typically produce similar results; but, when alternative benchmarks are used, the results may differ even from the measure. The factors influencing mutual fund performance were also examined in this study. Three additions to the body of knowledge on portfolio performance evaluation are included in this study. It started by looking at how sensitive the performance inferences were to the choice of benchmark. It then examined whether fund performance is correlated with fund qualities after comparing the Jesen measure with two new metrics created to address the temporal biases of the Jesen measure. The research also revealed a substantial positive correlation between fund managers' capacity to generate extraordinary returns and

turnover. It was also discovered that the choice of benchmark might significantly impact performance conclusions. Tests to investigate the factors influencing mutual fund performance were presented in one section of the study. These tests examined whether fund size, expenses, and management fee portfolio turnover are related to performance as measured by the only trustworthy benchmarks, the P8 benchmark. However, they did not examine the size of mutual funds or the expenses that the funds generate. This suggested that the funds that invest the most in research and trading may actually be finding undervalued stocks.

Carhart (2017) published an article on persistence in mutual fund performance. Examining how stock returns and investment costs nearly entirely account for persistence in equity mutual funds mean and risk-adjusted returns was one of the study's goals. To evaluate the data, the researcher employed multiple regression and descriptive statistics, including means, percentages, and standard deviation. The study discovered a strong and unfavorable relationship between performance and load fees, portfolio turnover, and expense ratios. Performance seems to be negatively impacted by expense ratios by little more than one to one. According to the study's findings, mutual fund performance is directly and negatively impacted by investing charges such as load fees, transaction costs, and expense ratios. Funds that generated high returns the previous year are also likely to have higher-than-average returns the next year, but not in the years that follow.

Jensen (2017) conducted a study of the performance of mutual funds, in the period 1945-1964. Estimating the contribution of a manager's predicting skills to fund returns was the aim of the study. For data analysis, regression and correlation are employed. According to the analysis, there is not much proof that any one fund was able to perform noticeably better than what was predicted by pure chance. According to the study's findings, the funds' trading activities were insufficiently effective to cover even their brokerage costs. The report added that it is critical to keep in mind that diversification is not a factor in this analysis.

Sharpe (2016) published a study on mutual fund performance. The study's goal was to build on Treynor's work by testing his suggested measure empirically to determine how predictive it was. The two-stage least squares (2SLS) model was used in the study to analyze the data. According to the study, a straightforward yet theoretically significant

metric that takes average return and risk into account can be used to assess the performance of mutual funds. The investigation came to the conclusion that performance discrepancies resulting from only different goals were found. Even so, there are still a number of variations among funds when performance is evaluated in this way, and these variations are not wholly temporary.

Table 1

Summary of International Articles

S. N	Author	Findings
1	Venkataraman and Rao (2023)	The study found that the size of the efficient set reduces drastically under third-order. Also, several funds are found to be superior to the indices under second- and third-order.
2	Murthy et al. (2022)	The study discovered that from the eight selected equity funds, it's understandable that all the funds have performed well during the study period. The fall in the NIFTY during the year 2020 has impacted the performance of all the selected funds.
3	Tian et al. (2022)	The performance of most of the inefficient funds with longer lock-up period can be improved through portfolios. For some inefficient funds with shorter lock-up period that cannot be improved through a portfolio consisting of the funds with the same or shorter lock-up periods.
4	Rahmen and Subat 2022)	Findings of the empirical analysis suggest that the investors should pay close attention to earnings, fund age and assets growth while selecting mutual funds for investment. It is noticed that the company generally tends to pay lower dividend when the performance and management fees starts decrease.
5	Dave and Raval (2022)	The result of the study indicated that all public sector mutual fund schemes have given better returns than the risk free returns offered by post office schemes. The study also observed though standard deviation and Sharpe index are statistically superior tools.
6	Farhana and Rahman (2022)	Fund Maturity is found in line with previous research having a significant positive impact on CEF discount in Bangladesh. Fund Size is also found to have statistically significant impact on the dependent variable fund discount.
7	Jain et al.	The study showed that the Indian Mutual Fund industry has grown at fast

	(2021)	rate in last decade. Performance started improving from the2012 onwards as the stock market was also improving. Mostly sectorial funds affect the performance of the mutual funds.
8	Dave and Raval (2021)	The study concluded that for better decision making the small investors should include average return over the investment period, standard deviation and Sharpe index as parameters in their decision matrix.
9	Rahman (2021)	The results show that, the variable fund size and fund maturity have a significant positive and turnover has a significant negative impact on CEF discount while the impact of weight of top 10 investments, dividend yield and fund age are found insignificant.
10	Wu (2020)	The result of research showed mutual funds with higher turnover and expenses did not earn rates of return sufficiently high to offset the higher charges.
11	Narayanasamy and Rathnamani (2020)	The study concluded that all the funds have performed well in the high volatile market movement expect reliance vision. Hence, it is essential for investors to consider statistical parameters like alpha, beta, standard deviation while investing in mutual funds.
12	Cumby and Glen (2019)	The study found that the fund equally underperformed the world index during the month. The study carried out the tests of market timing ability, it found evidence of apparent perverse market timing by the fund managers. That evidence is considerably weaker when bootstrap t-ratios are used to perform hypothesis tests than when asymptotic t-ratios are used.
13	Zaheeruddin et al. (2019)	The study concluded that the mutual funds are one of the best investment source available for small investors to make an investment in India, if thoroughly assessed it may give big returns with little savings.
14	Bialkowski and Otten (2018)	The overall results suggest that Polish mutual funds on average are not able to add value, as indicated by their negative net alphas. Interestingly, domestic funds outperform internationally investing funds, which points at informational advantages of local over foreign investors. Finally, it detected the strong persistence in mean returns up to one year.
15	Grinblatt and Titman (2017)	The study analyzed whether performance, as measured by the only reliable benchmarks, the P8 benchmark, is related to fund size, expenses, management fee portfolio turnover but not to the size of mutual funds or the expenses that the funds generate which suggested that the funds that spend the most on research and trade the most may in fact be uncovering underpriced stocks.

16	Carhart (2017)	The funds with persistently poor performance, funds with high returns last year have higher-than- average expected returns next year, but not in years thereafter and the investment costs of expense ratios, transaction costs, and load fees all have a direct and negative impact on mutual fund performance.
17	Jensen (2017)	The study measure the fund returns gross of management expenses. Thus on average the funds were not quite successful enough in their trading activities to recoup even their brokerage expenses. The study also stated that it is important to remember that the study have not considered the question of diversification.
18	Sharpe (2016)	The study shown the performance of mutual fund can be evaluated with a simple yet theoretically meaningful measure that considers both average return and risk. This measure precludes the discovery of differences in performance due to solely differences in objectives. However, even when performance is measured in this manner there are various differences among funds; and such differences do not add to be entirely transitory.

2.2.2 Review of National Articles

Aryal (2022) analyzed the study on performance evaluation of mutual funds in Nepal. The study's goal was to assess mutual funds' performance in Nepal. Jensen Alpha, Treynor Index, and Sharpe Index were used in the study. According to the study, assets and investments have a positive correlation with mutual find performance. The study came to the conclusion that effective portfolio management and a dynamic investing strategy should be implemented by mutual fund managers. In addition to the existing yields, the fund should aim to allocate the majority of its assets to primary shares of the bank and other financial institutions in order to potentially generate a capital gain.

Shukla (2020) analyzed the performance of selected mutual funds schemes. Examining the return from the chosen mutual funds and determining whether they can compensate for volatility and variability were the goals of the study. The study made use of the Sharpe ratio, alpha, beta, and standard deviation. The study discovered that, with the exception of 2013, when infrastructure funds lagged behind, all of the funds had good returns and a favorable association with the Nifty. The study found that infrastructure had the highest risk, mid- and small-cap stocks had the highest return, and hybrid stocks had the lowest risk.

Bajracharya (2018) analyzed the performance of five mutual funds of NEPSE on the basis of monthly returns compared to benchmark return. The study's primary goals are to assess mutual fund performance and provide a thorough examination of the variables influencing price. Multiple regression analysis was employed in the study to examine the data. The mutual funds have not outperformed their benchmark indicators, according to the report. While some of the funds have outperformed the benchmark for their systematic risk, the majority of the funds have not outperformed in terms of volatility. The study came to the conclusion that, despite their modest size, mutual funds have helped to expand the nation's capital market's base and have helped investors obtain high and comparatively safe returns.

2.3 Research Gap

Due to the industry's tremendous expansion, academics, financial managers, and economists are now interested in studying this branch of finance, and the significance of mutual funds has sparked a strong desire to look into the factors that influence their performance. A review of previous research is presented in this publication along with suggestions for future study directions. In light of new literature and significant previous studies, this report also identifies factors influencing mutual fund performance. Investors will benefit from this study by receiving certain concepts and ideas about mutual funds to aid in their decision-making. Five years' worth of data, from 2018–19 to 2022–23, will be computed for this purpose. There was not enough time allotted for thorough research in the report. The results might have been impacted by the sample size.

The research findings were obtained by utilizing the following factors: interest rate, management fees, fund size, growth of fund assets, dividend payout ratio, ROA, and ROE. Only a small number of studies are carried out in Nepal, where mutual funds are still in their infancy, which results in a lack of data. The majority of research is carried out in other nations where mutual funds are well-established. One of the research gaps in this dissertation is that outcomes, findings, and conclusions may vary as a result. Different scholars have differing opinions about these factors; some believe they are vital, while others have come to the conclusion that some of them are not.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Research Design

A research model or design is a compromise that is mostly determined by pragmatic reasons. Descriptive and causal research design is the foundation of the investigation. It aims to examine the mutual funds that were chosen as well as to characterize and assess their performance. The topic has been analyzed using a variety of financial and statistical approaches.

3.2 Population and Sample, and Sampling Design

There are 35 close-end mutual funds available in the Nepalese financial sector which is the population of the study. Only ten of these closed-ended mutual funds have been chosen for examination as a sample for the study. The study's sample was chosen using the convenience sampling approach.

Table 2

List of Sample of Selected Mutual Funds in Nepal

S.N	Name	Maturity Period	Date of Establishment
1	Global IME Balance Fund –I	10 Years	November, 2017
2	Laxmi Equity Fund-1	12 Years	March, 2015
3	NIBL Samriddi Fund-2	10 Years	April, 2018
4	NIBL Pragati Fund	7 Years	October, 2017
5	Siddhartha equity fund	10 Years	October, 2018
6	Nabil Equity Fund	7 Years	October, 2017
7	Sanima Equity Fund	7 years	December, 2017
8	Kumari Equity Fund	10 Years	March, 2018
9	NMB Sulav Investment Fund - II	10 Years	September, 2010
10	Sunrise first mutual fund	10 Years	September, 2018

Source: Website of Selected sample, 2023

3.3 Sources of Data

Secondary data gathered from both published and unpublished sources served as the primary foundation for this investigation. To get a true and accurate conclusion from this research, secondary data has been gathered. Every feasible and practical piece of information has been gathered. The information gathered from books, journals, and articles related to the subject, as well as annual reports and their websites, constitutes secondary sources of data.

3.4 Data Procedures

Since the data is essential to the analysis, it constitutes a significant portion of this study. Since this study is entirely dependent on secondary data, the correctness of the secondary data determines the accuracy of the results. Secondary data was gathered for this study from the websites of the relevant mutual fund scheme managers. Their monthly balance sheet provided the information. Ten Nepali mutual funds serve as the study's sample. Secondary data has been used to determine the structure, performance, and other theoretical information.

3.5 Method of Data Analysis

Following the gathering of research data, the data must be analyzed and the findings interpreted. The obtained data and information must be processed in order to bring them down to a workable size. Following such processing, the statistical analysis and significant Since interpretation results in the development of the idea of finding, data processing, which includes editing, coding, categorization, and tabulation, was completed. The following statistical tools are employed for the analytical analysis.

Descriptive Statistics

Several statistical approaches have been employed in this study to compare the figures and get a single, significant result. Here are brief explanations of the statistical instruments.

Mean

The arithmetic mean is the most common and extensively used metric for summarizing all of the data by a single variable. It is computed by dividing the total number of things

by the sum of all items. The average value during the study period is represented by the mean values of the various variables.

$$\text{Mean } (\bar{X}) = \frac{\Sigma x}{n}$$

Where,

$\bar{X}$= Sum of the variables 'x'

n = No. of Observation

Standard deviation

The degree to which the separate things vary from a core value is known as dispersion. The absolute dispersion is measured by the standard deviation. The standard deviation increases with the degree of dispersion. A series' homogeneity and the degree of uniformity of the observations are both indicated by modest standard deviations, and vice versa.

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Where,

X = Value of each observation

$\bar{X}$= Sum of the variables 'x'

n = No. of Observation

Correlation analysis

One statistical method for describing how closely one variable is related to another is correlation analysis. Simple correlation has been used in this investigation. The following financial variables' correlation coefficient has been computed, displayed in matrix form, and thus thoroughly comprehended.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma xy - \Sigma x\Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2}\sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

Coefficient of determination (r^2)

The degree of linear linkage or correlation between two variables, one of which is independent and the other dependent, is measured by the coefficient of determination. Stated differently, r quantifies the overall percentage variation in dependent variables. The value of the coefficient of determination might be anywhere between zero and one. Only when the unexpected variation is zero—that is, when every data point in the scattering diagram falls precisely on the regression line—can a value of one occur.

Regression analysis

The direction of movement is indicated by regression analysis, but the relative movement of the variables under investigation is not. We can determine the relative movement of the variables with the aid of regression analysis. A statistical technique called multiple regression analysis makes it easier to estimate or forecast the value of the dependent variable based on the value of the independent variable. IR, fund size, DPR, fund asset growth, and management fees are regarded as independent variables in this analysis, while ROA and ROE are dependent variables. In multiple regression analysis, the standard error of estimate, multiple coefficient of determination, and least squares approaches are typically calculated for this purpose.

The equation for multiple regression is

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots.. + \beta_p X_p + e_i$…… (i)

Model 1: $ROA = a + \beta_1 IR + \beta_2 FS + \beta_3 DPR + \beta_4 FAG + \beta_5 MF$

Model 2: $ROE = a + \beta_1 IR + \beta_2 FS + \beta_3 DPR + \beta_4 FAG + \beta_5 MF$

Where a= Regression intercept, which indicates ROA does not go below this point even if other variables have zero value.

β's = Multiple regression coefficient.

IR = Interest Rate

FU = Fund Size

DPR = Dividend payout ratio

FAG = Fund Assets Growth

MF = Management Fees

3.6 Research Framework and Definition of Variables

Independent Variable

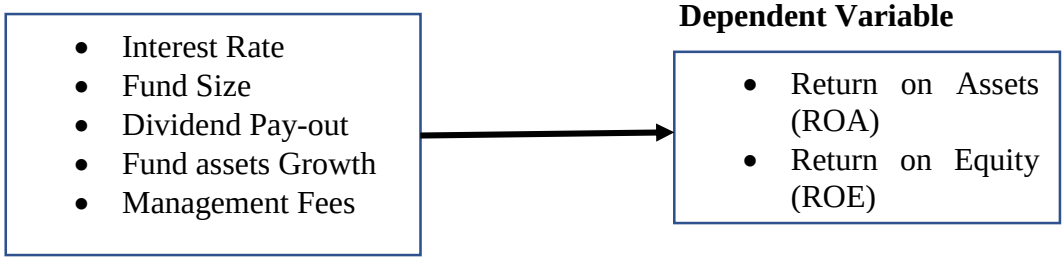

Figure: 3.1

Research Framework

(Source: Rahman and Subat, 2022)

Return on Assets (ROA)

Since it shows the returns from the assets that the bank holds, this ratio is arguably the most significant one when comparing the operational performance and efficiency of manufacturing enterprises.

Return on Equity (ROE)

An indicator of a business's financial performance that illustrates the connection between profit and investor return is return on equity, or ROE. ROE shows the amount of profit a business makes from the capital invested by shareholders and the effectiveness of the management team in converting that capital into increased profits and expansion for the business and investors.

H_7: The correlation between ROE and DPR is substantial.

Interest Rate

According to Sharif et al. (2020), IR is the total of net income or loss for the specified period per unit outstanding throughout the particular period. Panel data regression analysis was used by (WMSS, 2019) to examine the effect of dividend policies on business performance as demonstrated by listed companies on the Colombo stock exchange. According to the research, IR and company performance are significantly correlated. This implies that if the fund's internal rate (IR) is high, its performance is also high, indicating that it will perform better in the future. Thus, the theory is:

H_1: The correlation between IR and ROA is substantial.

Fund Age

There are two approaches to determine firm age: first, starting on the day the company was incorporated (Ilaboya & Ohiokha, 2016; Pickering, 1968); second, starting on the days the company was listed on the stock exchange (Shumway, 2001). According to our analysis, the mutual fund's age was determined by the days it was listed on the Dhaka stock exchange. Majumdar (1997) examined the relationship between firm age and performance in Indian enterprises and discovered that younger firms are more profitable but less productive, whereas older firms are more productive but less lucrative. Therefore, the following is the hypothesis:

H_2: The correlation between ROA and fund age is substantial.

Fund size

Although there are numerous ways to determine fund size, in this study we used it as a stand-in for total assets. A study on the impact of fund size on the performance of balanced mutual funds in Indian funds was carried out by Keswan (2011). The analysis discovered that the funds' standard deviation was remarkably low, indicating that there was no meaningful correlation between fund size and performance. Thus, the theory is:

H_3: The size of the fund and ROA are significantly correlated.

Dividend payout

The return on investment for investors is known as a dividend. The percentage of a company's profits that are distributed to its shareholders is known as the dividend payment. To ascertain the connection between dividend distribution and business success, (Foong et al., 2007) used multiple regressions on firm performance and dividend-related factors: Malaysia's case. In Malaysian trading/services and plantation enterprises, the authors discovered a poor or negligible correlation between dividend payout and firm performance. Thus, our theory is:

H_4: The dividend payout and ROA are significantly correlated.

Assets growth

The amount that a company's assets rise over time is referred to as asset growth. Panel regression on asset growth and stock returns on the Asian financial markets was examined by Yao et al. (2011). According to the study, the anomalous effect in the case of stock returns that is, the negative link between asset growth and company stock returns may be mitigated by the homogeneity of asset growth and its constituent parts. Thus, the fifth theory is:

H_5: The growth of assets and fund performance are significantly correlated.

Management fees

The term "management fees" refers to the compensation that managers receive for better use of money that result in improved returns for their organizations. Regression study on the impact of mutual fund managers' attributes on the performance, risk, and fees of their portfolios was examined by Golec (1996).

According to research, funds with minimal management fees are better capable of producing returns than those with higher management expenses. Consequently, the last hypothesis is:

H_6: The performance of funds and management fees are significantly correlated.

CHAPTER - IV

RESULTS AND DISCUSSION

The data that was gathered is presented and analyzed in this chapter. It aims to offer the analysis's findings after analyzing the data gathered from multiple sources. It uses a variety of methods to find out how well the mutual funds are performing. It displays the findings and outcomes derived by descriptive analysis.

4.1 Descriptive Statistics

The descriptive statistics of the independent and dependent variables selected for the investigation are shown in Table 4.1. The data set spans 10 quarters, from 2018–19 to 2022–23, and includes 35 mutual funds that are listed on stock exchanges. The panel of data is not balanced. The data is normalized for analysis purposes using the natural logarithm of fund size, fund asset growth, and management fees (Rahman, 2017). The table shows that the average growth in interest rate (IR) fund assets for mutual funds (MFs) was 800.20. It is evident that the growth of fund assets fluctuates greatly between 482 and 1647. The average size of the fund is 1348.80. The fund size is roughly 1350 million BDT on average. There is a noticeably greater degree of dispersion in the increase of fund assets and variable fund size.

Table 3

Descriptive Statistics of Mutual Funds

Variables	Minimum	Maximum	Mean	Std. Dev.
IR	.00	1.58	.589	.38743
Fund size	0	30779	8003.35	7438.265
DPR	.0	112.4	2.810	17.7720
fund assets growth	.00	29.92	1.128	4.67685
Management fees	.00	198.38	35.107	34.62086
ROA	.000	4.300	1.474	1.010063
ROE	.000	29.020	12.208	8.137650

Source: Annual Report of Selected Companies

The descriptive statistics table, which summarizes the salient features of every variable in the dataset pertaining to the performance assessment of mutual funds in Nepal, is displayed in Table 3. Interest rate, fund size, dividend payout ratio, asset growth, management fees, return on equity, and return on assets are the five factors that are detailed in the table.

The "Mean" denotes each variable's average value. For example, the average return on equity and return on assets for all of the mutual funds under study are 12.208 and 1.474, respectively. In a similar vein, the mean values for IR, fund size, DPR, growth of fund assets, and management are, respectively, 0.589, 8003.35, 2.810, 1.128, and 35.107.

Interest rate, fund size, dividend payout ratio, asset growth, management fees, return on equity, and return on assets all have values that range from 0.00 to 1.58, 30779, 11.20, 29.92, 198.38, 4.300, and 29.020, respectively. 0.38743, 7438.265, 17.772, 4.6768, 34.62086, 1.010063, and 8.137650 are the standard deviations of interest rate, fund size, dividend payout ratio, asset growth, management fees, and return on equity, respectively.

Table 4

Performance in terms of Average Returns and Standard Deviation

S.N	Name	Average return (Monthly)	Standard deviation	Risk free rate
1	Global IME Balance Fund –I	0.01636010	0.07867989	0.041
2	Laxmi Equity Fund-1	0.01679639	0.08156093	0.041
3	NIBL Samriddi Fund-2	0.01427274	0.07138482	0.041
4	NIBL Pragati Fund	0.01610818	0.07210499	0.041
5	Siddhartha equity fund	0.01735794	0.07055911	0.041
6	Nabil Equity Fund	0.01554503	0.08130379	0.041
7	Sanima Equity Fund	0.01395328	0.05950732	0.041
8	Kumari Equity Fund	0.01300302	0.07242593	0.041
9	NMB Sulav Investment Fund - II	0.01123685	0.06223584	0.041
10	Sunrise first mutual fund	0.10520682	0.07585445	0.041

Source: NEPSE

The risk-free rate, standard deviation, and average return are used to assess the performance of the chosen funds. Since different funds will have varying degrees of risk associated with them, return alone should not be used as the sole metric for evaluating the performance of a mutual fund scheme; rather, it should also take the fund manager's risk into account. In general, a fund's risk can be characterized as the variability or swings in the returns it generates.

Table 5

Performance in terms of Sharpe Ratio

S.N	Name	Sharpe Ratio
1	Global IME Balance Fund –I	0.13756034
2	Laxmi Equity Fund-1	0.13805049
3	NIBL Samriddi Fund-2	0.12237715
4	NIBL Pragati Fund	0.14660997
5	Siddhartha equity fund	0.16753436
6	Nabil Equity Fund	0.12309581
7	Sanima Equity Fund	0.14143495
8	Kumari Equity Fund	0.10308674
9	NMB Sulav Investment Fund - II	0.11286954
10	Sunrise first mutual fund	0.10456987

The excess return of the fund per unit of its risk, or overall risk, is measured by the Sharpe Ratio. This ratio, which is expressed in terms of standard deviation, shows the link between the portfolio's overall risk and its excess return above risk-free return. The accompanying table displays the Sharpe Ratio findings for the chosen mutual fund schemes across all growth options compared to the benchmark portfolio.

4.3 Correlation Analysis

A table that displays the correlation coefficients between variables is called a correlation matrix. The correlation between two corresponding variables is displayed in each table cell. Data can be summarized using a correlation matrix. This gives us a quick overview of which factors are correlated and to what extent. A correlation value of zero means that there is no linear relationship between two variables. The range of correlation coefficients

between two variables is +1 (perfect positive link) to -1 (perfect negative relationship). The correlation matrix is shown in Table 6 as follows.

Table 6

Relationship between IR, fund size, DPR, assets growth, fees, ROA and ROE

Variables	IR	FS	DPR	AG	Fees	ROA	ROE
Interest Rate	1						
Fund Size	-.354	1					
	(.311)						
Dividend Payout	-.857**	.319	1				
	(.002)	(.370)					
Assets Growth	-.816**	.358	.975**	1			
	(.004)	(.310)	(.000)				
Management Fees	-.861**	.280	.988**	.968**	1		
	(.001)	(.433)	(.000)	(.000)			
Return on Assets	-.286	.657*	.336	.257	.234	1	
	(.423)	(.039)	(.342)	(.473)	(.516)		
Return on Equity	.535*	-.445	-.503	-.383**	-.483	-.615	1
	(.011)	(.048)	(.139)	(.007)	(.054)	(.051)	

*. Correlation is significant at the 0.05 level

**. Correlation is significant at the 0.01 level

Source: Appendix II

With correlation coefficients of -0.857, -0.816, and -0.861, respectively, Table 4.4 demonstrates that interest rates have a negative and statistically significant relationship with DPR, asset growth, and management fees. DPR also has a favorable correlation with management fees and asset growth. Growth in assets is substantial when management costs are included. At the 1% level of relevance, interest rates are significant in relation to DPR, fund asset growth, and management fees. DPR is also important when it comes to management fees and asset growth. At the 0.01 level of significance, ROE is statistically significant with interest rates and asset growth but not with fund size, management fees, or ROA.

4.4 Regression Analysis

The main purpose of regression analysis was to determine how the independent factors affected the study's dependent variable. The purpose of the analysis was to test the hypotheses and examine how capital structure factors affect leverage.

4.4.1 Effect of IR, fund size, DPR, assets growth and management fees on ROE

Table 7

Regression Analysis of ROE

Variable	Coefficient	Std. Error	t-Statistic	p-value
(Constant)	47.108	32.46	1.110	.001
Interest Rate	-.036	1.824	-.042	.178
Fund Size	-0.85	.062	2.41	.002
Dividend payout Ratio	-0.854	3.187	0.284	.062
Fund Assets Growth	.0032	.128	-0.946	.412
Management Fees	0.825	.017	-.228	.048
R-squared			0.742	
Adjusted R-squared			0.291	
F-statistic			2.54	
Prob(F-statistic)			0.000	

Because it also takes sample size into consideration, the r^2 is a more trustworthy statistic. The correlation's degree of dependability and how much it is influenced by the inclusion of independent variables are assessed using adjusted R-squared. The magnitude of an independent variable's impact on dependent variables is indicated by the size of its coefficient. The direction of the influence is indicated by the coefficient's sign, which can be either positive or negative. The average separation between the coefficient and the regression line is denoted by the standard error. It gauges dispersion.

It demonstrates that the calculated "a" is statistically significant. Interest rates have a negative effect on ROE, and even at the 10% significance level, this effect is not statistically significant. Similar to this, fund size and DPR have a negative effect on ROE; fund size is statistically significant at the 5% level of significance, while DPR is significant at the 10% level of significance, with coefficients of -0.85 and -0.854,

respectively. At the 0.05 and 0.10 levels of significance, the regression's P-value of 0.000 and R-squared value of 74.20% are both statistically significant. Therefore, ROE has a linear connection with fees, IR, asset growth, DPR, and firm size.

4.4.2 Effect of IR, fund size, DPR, assets growth and management fees on ROA

Table 8

Regression Analysis of ROA

Variable	Coefficient	Std. Error	t-Statistic	p-value
(Constant)	.135	1.726	.665	.091
Interest Rate	.138	2.465	2.228	.031
Fund Size	.012	.378	-1.229	.024
Dividend payout Ratio	.417	.146	2.084	.043
Fund Assets Growth	0.047	.068	1.375	.176
Management Fees	-.074	2.182	.512	.611
R-squared			0.815	
Adjusted R-squared			0.592	
F-statistic			3.567	
Prob(F-statistic)			0.003	

Because it also takes sample size into consideration, the adjusted r2 is a more trustworthy statistic. The correlation's degree of dependability and how much it is influenced by the inclusion of independent variables are assessed using adjusted R-squared. The magnitude of an independent variable's impact on dependent variables is indicated by the size of its coefficient. The direction of the influence is indicated by the coefficient's sign, which can be either positive or negative. The average separation between the coefficient and the regression line is denoted by the standard error. It gauges dispersion.

At the 10% level of significance, it demonstrates that the calculated "a" is statistically significant. Even at the 10% threshold of relevance, management fees have a negative effect on ROA. Similarly, interest rate, size, DPR, and fund asset growth all have a positive effect on ROA; at a significance threshold of 5%, size, interest rate, and DPR are all statistically significant, with coefficients of 0.012, 0.138, and 0.417, respectively. At the 0.5 level of significance, the regression's P-value of 0.003 and R-squared value of

81.50% are both statistically significant. Thus, ROA has a linear connection with fees, IR, asset growth, company size, and DPR.

4.5 Discussions

The Sharpe ratio, NAV, mean, and standard deviation were used in this investigation, where in funds with a higher net asset value (NAV) are more appealing to investors. When compared to the other 10 sample mutual funds, Nabil's NAV value is higher. The greater alpha rating of Kumari Equity in this study indicates that it has outperformed the other three mutual funds. A negative outcome indicates that the investment did not outperform a risk-free option. Nabil has therefore done better and made a wiser investment. The return per unit over the risk-free rate is known as the Sharpe ratio. The risk-free rate exceeds the return on the portfolio if the Sharpe ratio is negative. According to the analysis, Kumari Equity's Sharpe ratio has a higher ratio value, indicating that it is a solid investment option. The other 10 mutual funds are also strong investments because their ratio values are bigger than one.

Not every mutual fund employed for the study has produced the same outcomes using the various methods. Every mutual fund that was sampled performed better based on the methods that were employed. While GIBF1 and SFMF have done better according on the Sharpe ratio, LEMF has performed better based on its average NAV. Likewise, KEF's average dividend payout ratio is higher than that of the other mutual funds in the sample, while LEMF's average portfolio turnover ratio is higher than that of the other mutual funds. NEF is preferred in terms of dividend payout ratio, and KEF is preferred in terms of portfolio turnover ratio. This is because lower ratios are preferred over higher ones. The NEF SEF mutual fund has a lower portfolio turnover ratio but a higher costs ratio. varied evaluation methods produce varied outputs and outcomes when assessing mutual fund performance. According to Otten and Bams' (2002) research, fund assets have a positive correlation with risk-adjusted performance, whereas the costs ratio and age have a negative correlation. According to this study, investments are negatively impacted by greater expenditure ratios and portfolio turnover ratios.

According to the research done by Bajracharya (2016), a negative Sharpe ratio indicates poor performance in comparison to market return, while a high value indicates superior

performance. Accordingly, every mutual fund that was sampled in this study had a positive value, but GIBF1 had the highest value, indicating that it performed better than the other ten sampled mutual funds. The study by Dhandayuthapani and Arunpratheep (2018) came to the conclusion that it offered some insights into mutual fund performance to help average investors make logical investment choices and allocate their funds in the right mutual fund scheme. However, this study revealed disparities in the values of the various methods used to assess the mutual fund performance. Each method produced better results for the various mutual funds in the sample. The study's findings demonstrated that each fund is superior based on the methods employed to evaluate them.

According to Dave and Raval's (2018) research, small investors could incorporate the Sharpe index, standard deviation, and average return during the investing term as components in their decision matrix to improve their decision-making. In a similar vein, this study also demonstrated the disparities in values across various procedures, indicating that the investor should take into account additional aspects while making an investment decision rather than relying just on the techniques.

CHAPTER - V

SUMMARY AND CONCLUSION

5.1 Summary

The main goal of this study is to identify the factors that have contributed to mutual funds' success during the past five years. In order to gather information on the five variables—interest rate, dividend payout ratio, fund size, fund asset growth, management fees, and return on equity and assets (dependent variables)—the study included the selection of ten well-known mutual funds from each of the chosen companies. According to the results, two of the five hypotheses were accepted and three were determined to be unaccepted. While the interest rate and fund asset growth were accepted, the management costs, dividend payout ratio, and fund size hypotheses were denied.

Every mutual fund that was sampled performed better based on the methods that were employed. While GIBF1 has done better based on the Sharpe ratio, LEMF has done better based on its average NAV. Likewise, KEF's average dividend payout ratio is higher than that of the other mutual funds in the sample, while LEMF's average portfolio turnover ratio is higher than that of the other mutual funds. The results of this study are comparable to those of other researchers, including Anwar and Arif (2016), Elton et al. (2013), Nazir and Nawaz (2010), and Madhusudhan (1996).

Descriptive and informal comparative research design form the basis of the study. The NEPSE market is home to 35 mutual funds (Eldrum, 2021). For this reason, the following funds are regarded as convenience samples: Global IME Balance Fund-I, Laxmi Equity Fund-1, NIBL Samriddi Fund-2, NIBL Pragati Fund, Nabil Equity Fund, Siddhartha Equity Fund, Sanima Equity Fund, NMB Sulav Investment Fund-II, Sunrise First Mutual Fund, and Kumari Equity Fund. Interest rates, fund sizes, dividend payout ratios, fund asset growth, and management fees are independent variables, whereas return on equity and return on assets are dependent variables. The secondary data used in this study was gathered from both published and unpublished sources. The information gathered from books, journals, and articles related to the subject, as well as annual reports and their websites, constitutes secondary sources of data.

The study just looks at these seven factors, but in practice, there may be a lot more factors that can be taken into account to determine whether mutual funds are successful. As a result, the inquiry can only be applied to this nation. Since this study only looks at ten mutual funds, it may not be enough to generalize about the mutual fund sector as a whole. Additionally, this study will aid regulatory agencies and investors in comprehending the workings of Nepal's mutual fund industry.

5.2 Conclusion

Using secondary data sources for the years 2018–19 and 2022–23, this study looked at the main factors influencing mutual fund performance in Nepal. The study made the assumption that the main factors influencing the performance of mutual funds are return on assets with fees, interest rates, asset growth, dividend payout ratios, and company size. Nonetheless, the outcome indicates that fund size and ROA have a positive and significant relationship. Fees and asset growth have a negative effect on ROA, whereas interest rates, size, and dividend payout ratio have a positive impact; size is statistically significant, and the dividend payout ratio is significant. Thus, fees, interest, fund asset growth, business size, and dividend payout ratio all have a linear connection with return on assets.

Additionally, it shows that interest rates have a negative effect on return on equity, which is not significant even at the 10% threshold of significance. In a similar vein, fees, size, asset growth, and interest rate all have a negative effect on return on equity, with size and interest rate being statistically insignificant. Therefore, fees, interest rates, asset growth, dividend payout ratios, and business size do not all have a linear connection with return on equity.

5.3 Implications

The Assets Turnover Ratio has a favorable impact on Nepal's mutual funds, hence it is essential to incorporate it while creating future estimates. Fees, interest and fund asset growth, size, and dividend payout ratio are the five factors that make the Sharpe ratio favorable. The performance of the mutual fund and the Sharpe ratio are unrelated because of the low liquidity problem. These macroeconomic issues must be taken into account by all participants in mutual funds. The macro and fund-level variables influencing mutual

fund performance in Nepal are investigated in this study. Investors in the stock market and investment managers may find this study to be relevant. These are the implications of current study. The effects of asset growth, fund size, management fees, interest rate, and dividend payout ratio must all be understood by anyone who wants to oversee an investment fund.

The results indicate that fund managers ought to balance the factors that affect the fund's performance. This optimizes the fund's return, which is advantageous to investors and management alike. Aspects of investing in mutual funds are clarified for audiences and investors by this study. The findings of the study will also help Nepali decision-makers in the government and mutual fund industry. The research has certain limitations, but if they are addressed and fixed, they could give a more accurate picture of the fund industry in Nepal. Since this analysis covers a six-year period, the results may need to be adjusted to accurately reflect fund performance prior to this time. Because of its brief history, the fund's performance could exceed or fall short of expectations. More data access is required as this endeavor was hindered. More information is required because the majority of Nepalese funds are new. Numerous studies on Nepal's mutual fund industry are still lacking. A literature review must therefore make use of research materials or findings. Other approaches could be used in the future to improve this study. Nepal, though, need more information. Investors only used NAV to assess mutual fund performance prior to this study. This will give a clear picture of the performance of Nepal's mutual funds.

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APPENDICES

Appendix – I

Nabil	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	654	825	512	541	1982
DPR	1	7	12	7	8
fund assets growth	298	311	302	307	1647
Management fees	13	17	16	21	23
ROA	0.133	0.052	0.061	0.083	0.026

Annual report of Nabil Equity Fund

GIBF1	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	662	782	364	875	1039
DPR	6.4	0.34	0.86	0.79	0.82
fund assets growth	134	157	164	112	216
Management fees	58	62	71	68	80
ROA	0.068	0.096	0.088	0.092	0.099

Annual Report of Global IME Balanced Fund I

Laxmi	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	532	613	557	726	913
DPR	3.2	0.56	0.25	0.63	0.72
fund assets growth	112	108	132	182	227
Management fees	40	21	36	41	58
ROA	0.12	0.062	0.066	0.072	0.085

Annual report of Laxmi Equity Fund I

NIBL Sambriddhi	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	448	492	510	536	662
DPR	1.9	0.32	0.36	0.48	0.52
fund assets growth	108	154	162	148	159
Management fees	33	36	42	45	48
ROA	0.08	0.09	0.012	0.016	0.028

Annual report of NIBL Sambriddhi Fund 2

NIBL Pragati	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	632	628	533	742	768
DPR	0.13	0.32	0.33	0.38	0.41
fund assets growth	96	103	118	124	132
Management fees	31	36	40	42	47
ROA	0.032	0.033	0.061	0.071	0.082

Annual report of NIBL Pragati Fund

Siddhartha equity	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	669	614	2214	2614	1646
DPR	0.21	0.25	0.35	0.45	0.55
fund assets growth	108	107	114	118	76
Management fees	28	31	32	37	34
ROA	0.087	0.087	0.092	0.168	0.241

Annual report of Siddhartha Equity Fund

Sanima Equity	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	542	567	614	682	715
DPR	0.19	0.26	0.31	0.33	0.41
fund assets growth	111	126	131	145	164
Management fees	21	24	32	39	43
ROA	0.023	0.051	0.057	0.063	0.078

Annual report of Sanima Equity Fund

Kumari Equity	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	662	634	732	714	765
DPR	0.32	0.37	0.41	0.46	0.47
fund assets growth	116	128	136	142	154
Management fees	26	32	38	46	58
ROA	0.032	0.038	0.045	0.052	0.057

Annual report of Kumari Equity Fund

NMB Sulav	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	576	582	614	628	665
DPR	0.24	0.37	0.43	0.49	0.56
fund assets growth	156	162	167	178	218
Management fees	20	31	39	43	47
ROA	0.026	0.029	0.031	0.036	0.045

Annual report of NMB Sulav Investment Fund II

Sunrise first mutual	2018/19	2019/20	2020/21	2021/22	2022/23
Fund size	538	549	564	667	712
DPR	0.27	0.38	0.46	0.49	0.55
fund assets growth	132	146	154	166	171
Management fees	29	35	42	46	51
ROA	0.019	0.027	0.031	0.037	0.042

Annual report of Sunrise first mutual

Appendix- II

Variables	IR	FS	DPR	AG	Fees	ROA	ROE
Interest Rate	1						
Fund Size	-.354	1					
	(.311)						
Dividend Payout	-.857**	.319	1				
	(.002)	(.370)					
Assets Growth	-.816**	.358	.975**	1			
	(.004)	(.310)	(.000)				
Management Fees	-.861**	.280	.988**	.968**	1		
	(.001)	(.433)	(.000)	(.000)			
Return on Assets	-.286	.657*	.336	.257	.234	1	
	(.423)	(.039)	(.342)	(.473)	(.516)		
Return on Equity	.535*	-.445	-.503	-.383**	-.483	-.615	1
	(.011)	(.048)	(.139)	(.007)	(.054)	(.051)	

*. Correlation is significant at the 0.05 level

**. Correlation is significant at the 0.01 level

Appendix- III

Variable	Coefficient	Std. Error	t-Statistic	p-value
(Constant)	47.108	32.46	1.110	.001
Interest Rate	-.036	1.824	-.042	.178
Fund Size	-0.85	.062	2.41	.002
Dividend payout Ratio	-0.854	3.187	0.284	.062
Fund Assets Growth	.0032	.128	-0.946	.412
Management Fees	0.825	.017	-.228	.048
R-squared			0.742	
Adjusted R-squared			0.291	
F-statistic			2.54	
Prob(F-statistic)			0.000	

Appendix – IV

Variable	Coefficient	Std. Error	t-Statistic	p-value
(Constant)	.135	1.726	.665	.091
Interest Rate	.138	2.465	2.228	.031
Fund Size	.012	.378	-1.229	.024
Dividend payout Ratio	.417	.146	2.084	.043
Fund Assets Growth	0.047	.068	1.375	.176
Management Fees	-.074	2.182	.512	.611
R-squared			0.815	
Adjusted R-squared			0.592	
F-statistic			3.567	
Prob(F-statistic)			0.003	

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By: Manisha Rijal

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