

INVESTORS' PERCEPTION TOWARDS MUTUAL FUND IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial
Fulfillment of the Requirement for the Master's Degree

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I certify that the work in this dissertation has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the dissertation has been written by me. Any help that I have received in my research work and the preparation of the dissertation itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the dissertation.

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ABSTRACT

The main objective of the study is to identify the investors' perception towards mutual fund in Nepal. There can be many factors that affect the interest of the investors while investing in primary market. This research tries to find the preference of the investors regarding investment in mutual fund and the main focus of the study is on the factors influencing the Investors' Perception of general investors in primary market of Nepal. This research study has explained theoretical review and different literature review related to mutual fund.

The study aimed to provide a descriptive analysis of all the variables used, under the present context. Primary data for the study was collected from mutual fund investors of Kathmandu Valley through structured questionnaire. The questionnaire was distributed to 111 respondents, out of which 11 respondents had missing information. Pearson correlation and regression analysis were conducted to identify the relationship between independent variable (fund scheme, risk and return and investor's level of knowledge) and dependent variable (Investors' Perception in mutual fund). SPSS 23 was used to find the result of the data analysis and interpretation.

Under regression analysis, the regression model that investor's level of knowledge variable has positive significant impact on Investors' Perception in mutual fund whereas fund scheme has no impact on Investors' Perception in mutual fund. This means investors are more concerned about these factors while making Investment Perception in mutual fund. The conclusion drawn by this research is that investor's level of knowledge is found to be strong variable on Investors' Perception in mutual fund among fund scheme and risk and return. However, a significant finding from the study is that the majority of the respondents like their level of knowledge from the stock brokers, family and friends while making Investment Perception in mutual fund. The conclusions are provided after interpreting and analyzing the collected data through primary sources. This study has some limitations and to overcome this, a further research can be done by including more specific factors.

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LIST OF ABBREVIATIONS

AMC	Assets Management Company
ANOVA	Analysis of Variance
ASBA	Application Supported by Blocked Amount
ASE	Athens Stock Exchange
CDS	Central Depository System of Securities
DEMAT	Dematerialization
GDP	Gross Domestic Product
IPO	Initial Public Offering
Ltd.	Limited
MBM	Master of Business Management
NAV	Net Assets Value
NCM	Non Category Mutual
NEPSE	Nepal Stock Exchange
NIDC	Nepal Industrial development Corporation
SD	Standard Deviation
SEBON	Security Exchange Board of Nepal
SPSS	Statistical Package for the Social Sciences

CHAPTER I

INTRODUCTION

1.1 Background of the study

Mutual funds are the firms that collectively manage pools of money of other people. Individual buys share of mutual fund, and the fund invests the money in specified types of asset. For example; common stocks, tax-exempt bond, or mortgages etc. Mutual funds' growth is found to be very slow and it took long years to evolve to be in modern days mutual fund. Mutual fund was emerged firstly in Netherlands in 18th century and then flourished to Switzerland, Scotland and in United States of America in 19th century. Major purpose behind investment in mutual fund is to provide a form of diversified investment solutions to the investors. Success of an industry is determined by market performance of its stock in this age of competition and globalization. Investors like to invest in the such company's stock from which the investors can get the maximum gains. Though, with the passage of time many opportunities and the investment alternatives are available to the investors for investing their money in different investment channels. A tremendous growth of mutual funds can be seen in the last few years. Combined efforts of brokerage houses and the funds' managers who come to ones' rescue by educating persons or firms, who are willing to invest and making them aware of the mutual fund schemes by different modes of promotion have contributed to result this(Kandel, 2018).

A mutual fund can be taken as a special purpose institutional setup, established specially for investment motive and it acts as an medium of investment. It's major function is to pool and gather resources like savings from various small investors, build a bigger mass of large resources and then invest them into a perfect and well-diversified portfolio of sound investments. Mutual fund's purpose is to maximize return as much as possible while keeping the risk associated with equities to the low. Even though being available in the market less than 10% of Indian household have found to be invested in mutual funds. A recent study on Mutual Funds Investments in India, which is published by research and

analytics firm, Boston Analytics has suggested that investors are holding back from putting their resources into mutual funds because of their perceived high risk and the lack of information on how mutual fund works(Manrai, 2018).

Mutual funds provide a good chance to the investors to invest in a stock market with professional insight. They give the benefit of the risk diversification with a minimum allocation of the funds. Selection of the mutual fund itself is tedious given growth in the numbers of scheme presented by them. Number of world-wide regulated open-ended mutual fund scheme was 114,131 in 2017(Investment Company Institute Fact Book, 2018). The investors constantly search for an good investment strategy to maximize their personal benefits. The advertisements done by the mutual funds mostly glorifies their past performances. While some comes with the disclaimer that past years' performance may not assure their future performance. There is the transparency in the functioning of mutual funds. All relevant information is publicly accessible with such measures. But the issue is whether investors can make the profitable bets through such information or not. The past performance's effect and other fund distinctiveness on performance is broadly researched in the context of developed countries(Kaur, 2018).

The estimates of the importance of mutual funds in emerging markets are quite conservative because they include only the holdings of dedicated emerging market equity funds. Excluded are the holdings of global funds, which account for a substantially larger share of the stock market capitalization of emerging markets. Even though global funds hold only a small share of their assets in emerging markets, they are substantially larger than dedicated emerging markets. So international mutual funds hold a large and significant proportion of the publicly available equity, even though the total amount is not known(Graciela, 2002).

People who invest in shares of mutual fund are the owners or shareholders of mutual fund. Investors' investments provide the resource for mutual fund to purchase securities like stocks and bonds. Mutual funds can make money from their securities in two ways: a security may provide interest or dividends to the fund or the security may rise in the value. A fund may also lose money and drop in the value. The reduced portfolio's risk comes

from benefits of diversification provided by the mutual fund managers for its owners or investors. Managers charge some amount of fees for their service and for covering costs associated with trading the securities. Mutual fund today are the most studied area in developed countries because of their efficient and effective role in reducing the risk and enhancing the return through professional management funds. Such funds enhance the incomes of the small investors as well as diminish their exposure to probable unsystematic risks, which needs to be taken into consideration for accurate outcome(Dadashinasab, 2012).

Mutual fund came into existence only 29 years ago in the context of Nepal. So, starting of the mutual fund seems new to the Nepalese investors. The investment market of Nepal entered into the age of mutual funds with the flotation of NCM Mutual Fund in 2050 B.S.(1993A.D.). NCM was an open-ended fund scheme which had a collected fund of Rs. 100 Million. Now, the merchant bankers are coming up with funds of 5 to 10 times larger than that amount, which has become a crucial part of the stock market of Nepal. Currently, there are 26 mutual fund schemes trading in the stock market of Nepal. These mutual funds have to be permitted by Securities Board of Nepal(SEBON under Mutual Fund Regulation Act 2010 and Directives 2012) first to publish the offer letter then accept the funds as IPO. They are listed in NEPSE (Nepal Stock Exchange) where they can be freely traded when the fund units are allotted,.

In the current situation, mutual funds have low attraction compared to stocks of commercial banks, insurance companies, development banks, finances and micro finance companies. The varieties of schemes that are offered to the investors globally are not accessible to local Nepalese investors. Despite of the recent rise in the securities market of Nepal, the performance and success of mutual funds is not remarkable in country.

1.2 Problem Statement

Investment decision need to undergo through analysis of the situations prevailing based on several factors, however regardless of varied information available that justifies rationally and irrationally; investors are keen to avoid uncertainties associated with the ultimate decisions they engage in (Jagongo & Mustswenje, 2020).

Investors' investment perceptions are affected by many factors. It is an accepted fact that investors are the central point of any financial market. Behavior of investors is not a static one. It may vary in different places and different securities. Therefore, it's necessary to identify the factors which influence in making investment perceptions. To enhance investment and create proper theories and policies, it is required to understand how investors invest in securities (Aruna & Rajashekar, 2016).

Nepal is becoming economically further powerful requires large capital for varieties of developmental activities as a developing country. To rise in the investment among the investors, it is required to study the investment behavior of investors and identify the factors that influence them to invest. So that inactive resources can be channelized into the productive investment.

Mutual funds worldwide are giving their attempts to accelerate rise with continuation of a numerous current trends. Like, focus on product development, risk and regulation management. But only few listed mutual funds are therein Nepal, only information that an individual or investor get is the weekly NAV and monthly balance sheet. We may ask question to the mutual fund managers that is this information sufficient for investors and shareholders. Definitely, we can conclude that more analysis or detail analysis is required about the mutual funds. Hence, comparative analysis and performance evaluation can assist investors to find returns of the individual schemes and also create relationship between various attributes.

Therefore this study may contribute in the literature of developing countries in the context of the management effectiveness of the mutual funds.

This study has tried to address the following research questions:

1. Do the fund schemes have impact on investor's investment perception on Mutual fund?
2. What is the impact of risk and return in the individual investment perception?
3. How does investor's level of awareness affect the individual investment perception?

1.3 Purpose of the study

The main purpose or objective of this study is to identify the Investors' Perception towards mutual fund in Nepal. The study aims to achieve the following objectives:

1. To examine the impact of fund schemes on Investors' Perception.
2. To examine the impact of risk and return on Investors' Perception.
3. To examine the effect of investors level of awareness on Investors' Perception.

1.4 Research Hypothesis

From the above discussion on problem and statement following hypothesis is framed.

H1: There is significant relationship between fund schemes and investor's Perception on mutual fund.

H2: There is significant relationship between risk, return and investor's Perception on mutual fund.

H3: There is significant relationship between investor's level of awareness and investor's Perception on mutual fund.

1.5 Scope and limitation of the study

The study focuses to analyze certain factors that influence Investors' Perception in Mutual Fund. In this context, the study is meant to find the preference of the general investors regarding investment in the market. Findings of the study will be helpful to the investors, mutual fund issuing company, Issue manager of mutual fund and others regulatory bodies in order to predict future trend and give reliable information to mutual fund investors. The investing companies can decide on their future policies and strategies. Also, the study provides a perceptive of the different decisions to be taken by the investors, which is on the basis of prevailing factors and eventual outcomes for every decision made by the investors. The investor can analyze and examine the factors influencing their individual decision making with regard to their investment.

However, this study has some limitations, which are listed as below;

1. Only 100 responses from the individual are taken for the study so the findings of the study may have the limitation of generalization for the entire population.
2. This study is based on three independent variables. The findings may differ in case of use of other variables.
3. The findings and conclusion may not be generalized since the study is confined only to the Kathmandu valley.
4. The study is based on primary source of data. So, reliability of the study depends upon the accuracy of the information provided by the respondent.
5. This study is limited to the decision made by only individual investors and does not consider institutional investors and professional investors.

CHAPTER II

LITERATURE REVIEW

The relevant literature on Investors' Perception on mutual fund in Nepal is reviewed and the conceptual framework showing the relationships between these variables is presented. This chapter is structure along several themes.

2.1 Conceptual Review

Conceptual review is related with all review focuses on mutual funds (investment companies) undertake the function of pooling funds and investing in the securities. Investment companies are expertise financial mediators that collect money or resources by selling units of mutual fund to the investors and invest in the portfolio of securities. Such units are securities issued by the investment companies to collect the fund from numerous investors. The mutual funds provide professional services to it's investors and take management charges for provided services. Managers of the funds are remunerated fixed management charges and any advantage that accrue through rise on value of securities pass to all the investors. So, we may say that the popularity of mutual fund investment among private investors has grown dramatically all over the world during last 40 years. Therefore, mutual fund performance has always been one of the most researched areas of finance. At the end of 2016, mutual fund assets worldwide were \$40.4 trillion. Total net assets in worldwide regulated funds hit \$49.3 trillion at year-end 2017, it increases to \$50.01 trillion at the end of the first quarter of 2018.(Udpadhya, 2019)

a. Open ended and Close ended Mutual funds

Open-ended mutual funds are the schemes which easily sell back to the company at its Net Asset value (NAV). Such funds are not traded in the secondary market; these funds continuously create new units and demands. Such funds are also called unit trust. Such funds are in various verities and can be easily traded with issuer fund management companies only, which offers daily unit value. If any investor having open-ended fund want to sell its fund, he/she may sell those units to company at its Net Assets Value or

present market price (NAV) and the company is obliged to buy such units from their unit holders at present price.

Close-ended funds having shares like in public company, its fund issue certain number of shares and offer through an IPO (Initial Public Offering) same as of public limited company. There are numerous characteristics of close ended funds such as small amount of investment and possibility of diversification, managers' expertise and knowledge of market helpful for all types of mutual fund investors, investors can easily trade their units of mutual fund at any time at secondary market or stock exchange (Ahmed, 2015).

b. Mutual Fund Scheme

MF regulation defines that "Scheme" are the schemes that have obtained approval pursuant to regulation 24 from the SEBON. The purpose of these schemes is to provide the certain income or dividend for certain period to its investors.

c. NEPSE

Nepal Stock Exchange, in short NEPSE, is established under company Act-2007. The basic purpose of NEPSE is to pass on liquidity and free marketability to corporate securities and government by facilitating transaction in its floor through the members, market mediators, such as brokers, markets. At present there are 50 member brokers with 43 branches, who operate on the trading floor as per the Securities Act-2007.

d. Mutual fund performance

Mutual Fund has emerged as the best in term of its variety, flexibility, diversification, liquidity as well as tax benefits. Investors of mutual funds can have access to the investment opportunities that would otherwise be unavailable to them because of the limited knowledge and resources. Mutual funds have capability to provide the solutions to most of the investors require, however the key is to do proper choice and have a process for monitoring and controlling. Mutual fund industry is at growing and it is incorporating a higher number of new funds ever year in Nepal. Mutual funds have not performed better than their standard benchmark indicators. Some have performed better than standard benchmark of its systematic risk but with respect to the volatility almost

funds have not performed better. The funds are not highly diversified unless few mutual funds and due to their high diversification they have declined total risk of portfolio whereas, other mutual funds have low diversified portfolio and have more risk in the sample.(Bajracharya, 2016)

e. Liquidity

Liquidity has been a hot topic in the Nepalese financial market in recent times. Liquidity is the available surplus cash or an asset/security that can be easily converted into cash. In general, liquidity is the cash equivalent assets used to address financial obligations. The motion of the capital market is more or less driven by liquidity. Excess liquidity helps the capital market rise, and on the contrary, low liquidity means a fall in the index.(Adhikari, 2021)

2.1.1 History of Mutual Fund

The history of mutual was started with “NCM Mutual Fund 2050” established by Nepal Industrial development Corporation (NIDC) Capital Market in Ashad 19, 2050 BS (1993) in Nepal. With purpose of providing the expert investment services with Rs. 10/unit par value that was issued in the multiple of 100 by NIDC Capital Market, NCM first mutual fund 2050 was started. Initially, it was open-ended type. In 2058 BS (2001), term of the NCM Mutual Fund 2050 was completed. In 2059 BS (2002),it was converted into the close-ended fund in the name of “NCM mutual fund 2059”. Fund holders were given option to refund or to participation in another new scheme called “NCM Mutual Fund 2059”during the termination of NCM Mutual Fund 2050.The fund had total 10 million units of shares outstanding with per unit par value of Rs. 10and maturity period of 10 years. The fund was of open-ended type in which investors could purchase the unit. In accordance to Securities Exchange Act, 2040,the units issued under this scheme were listed in Nepal stock Exchange (NEPSE). The fund could be involved in share, debenture, bonds and term loan (Rakhal, 2017).

There are currently 26 funds scheme operating in the industry by 14 mutual funds. These mutual funds are of close ended nature. Close ended mutual funds raise its capital through initial public offering, gets listed on NEPSE and is traded as a regular share.

However, close ended mutual fund is itself a basket of diversified stocks. Nepalese mutual funds have not launched any open-ended mutual funds because of the absence of volume of transaction in NEPSE.

1. NCM Mutual Fund, 2050

The mutual fund started on Ashad 19- 2050 BS (1993AD) in Nepal. It was issued as open-ended fund initially. But it was converted into the close-ended fund after financial problem. NCM First Mutual Fund-2050 was started with purposes of giving expert services regarding investments with Rs. 10 par value per unit was issued in the multiple of 100 by NIDC Capital Market in 1993AD. Its trading was stopped because of excessive selling pressure after two years of the introduction. With the motive to restart the fund and to provide liquidity by means of repurchase, NIDC and Nepal Rastra Bank invested the amount Rs. 15 million and Rs. 45 million respectively in 1995AD. NCML was the trustee and custodian of the scheme. NIDC Capital Market Ltd. was the fund manager of scheme. After that, this fund was converted to close-ended fund and listed in NEPSE. This fund was in operation in secondary market with per unit NAV of Rs. 22.15 by the end of FY 1992/2000. By end of fiscal year 2000/2001, the scheme was terminated.

2. NCM MUTUAL FUND, 2059

The fund holders were given options to refund or to have participation in another new scheme called “NCM Mutual Fund, 2059” during the termination of NCM First Mutual Fund-2050. All assets and liabilities of NCM First Mutual, 2059 SEBON approved this mutual fund on August-2002. Its basic characteristics are presented below (Prospectus of NCM Mutual Fund,2059)

- a. Scheme was limited to 10 million units and will be managed as a close-ended fund.
- b. Par value of each of the unit will be Rs. 10
- c. In accordance to Securities Exchange Act 2040, units issued under this scheme are listed in NEPSE.
- d. NCML managed the scheme where as NIDC was as trustee of the fund.

- e. Trustee and management company had brought 7.5% each, collectively 15% of total units issued and had invested as seed capital in fund.
- f. After valuation of assets of NCM First Mutual Fund-2050, NIDC and NRB injected the amount Rs. 45 Million in 1995, in order to revive the fund and provide liquidity.
- g. NCML had returned NRB's fund. While funds provided by NIDC as kitty fund has been transferred to NCM Mutual Fund, 2059 and new units had been issued.

3. CITIZEN UNIT SCHEME, 2052

In 1995, citizen unit scheme-2052 which had a par value of Rs. 100 per unit came into operation. CIT has been managing this scheme and provides regular return in form of dividend to its investors or unit holders. Main characteristics of this scheme are (Prospectus of CIT, 2052):

- a. Until and unless the fund of scheme does not reach to a self-sustained position, only a minimum amount of dividend shall be distributed to the investors to sustain and increase the confidence of the investors and to simplify operation of scheme.
- b. Scheme has been maintaining the provision of repurchase to maintain liquidity itself. Repurchase price is on the basis of its NAV, but until and unless the scheme will not reach to self-sustained position, repurchase price will be equal to the par value.
- c. Being a regular income scheme, a while investing funds, appropriate thoughtfulness has been taken about the value added income and the regular income.
- d. Maximum of 30% investment will be from organized institution as for then.
- e. Until and unless there will not enough instruments bearing fixed and regular income in capital market, funds allocated to invest on such instrument shall be mobilized towards advancing short-term loan shall not exceed funds invested in government securities.
- f. Majority of income earned from CUS will be distributed as the dividends.
- g. For calculation of the income, rise in securities' value will be converted into income either by selling or handing over it.

2.1.2 Types of mutual fund

Broadly, any mutual fund will either invest in equities, debt or a mix of both.

1. Equity or growth schemes

These are one of the most popular mutual fund schemes. They allow investors to participate in stock markets. Though categorized as high risk, these schemes also have a high potential in the long run. They are ideal for investors in their earning stage, looking to build portfolio that gives them superior returns over the long term.

2. Fixed Income Funds

This type of funds specializes in fixed income securities. Different funds are concentrating on the Treasury bonds, corporate bonds, securities backed by mortgages or the municipal bonds.

3. Hybrid Funds

The fund that includes a bond component, stock component and sometimes a money market component as well in a single portfolio are hybrid funds. Normally, hybrid funds attach to a relatively fixed mix of the stocks and the bonds that show either a moderate orientation.(higher equity component) or conservative(higher fixed-income component) (Thapa, 2011).

2.1.4 Operational Definition

Fund Schemes

Fund scheme also determine the investing perception for investors. The mutual fund plan which is considered the best Equity Plan, followed by income plan, balanced plan and other sector specific or special plans. Equity based schemes are preferred over debt schemes. Because of mutual fund's brief operational history in Nepal, difference in the investment climate and differences in the financial literacy, financial teachings, the schemes' nature and upbringing might result to important deviations from assumed standard. Amendment or modifications on Mutual Fund Regulations, 2010 has provided opportunities to insurance companies and the other financial institutions as well to operate the various mutual fund schemes. Such new provision may facilitate growth in the number of mutual funds managers. Also develop the mutual fund industry as a

competitive industry. On other side, a prominent risk of failure to attract and satisfy the investors to the mutual fund schemes remains as investors currently exhibit aversion to the mutual funds. Fund managers should have to design the mutual fund schemes which are tailored for specific categories of the investors to attract the investment (Shrestha, 2020).

Risk and return

It is important variable which is used to know either the risk and return is expected than lower than targeted return within its durable time period. The resources are productively invested in assets based on their risk and return features. The motive of investors is to minimize risk involved in investment and maximize return from investment. Thus, increase in price or inflation erodes value of money. Savings or resources are invested to give a protection against inflation. If investment cannot earn at par with rise in prices, real rate of return will be negative. Thus, the motives of investor should be maximization of the return, minimization of the risk and hedge or protection against inflation.

The meaning of risk perception depends to how the investors perceive risk of financial assets on the basis of concern and experience. Risk perception implies an assumption that risk arising is unbiased or incoherent or degree, extent and timing of its consequences retained by any person, group, or society is a important success factor in providing good decision-making in risky circumstances. The true fact that all investors have a tolerance to risk and the risk perception complicates study of the financial risk. Hence, a main factor that influences Investors' Perception is risk perception of investors(Saleem, 2021).

Investors' level of knowledge

Effectiveness of mutual funds rely on level of knowledge and confidence of the investors. Pattern on investment changes with occupation, education, gender and age. Investment opportunities can be gained access by investors, who invest in mutual funds that would be limit to awareness and savings that would otherwise connect to them because of insufficient knowledge and resources. The mutual funds do have opportunities to offer to solve to the investors requirements, though the way is to do proper selection and have monitoring process and controlling. Awareness level of mutual fund among the investors is very low as having partial knowledge regarding mutual funds which prevents investors

to put in mutual funds for avoiding risk bearing factor and fear of behind funds. Policy maker maybe aware of action to ensure enough return on investment in mutual funds. Planners must motivate private companies as well to raise fund through mutual funds. Security board of Nepal can make necessary arrangements for awareness of education and training program about mutual funds(Bajracharya, Mutual Fund Performance in Nepalese Mutual Fund units, 2016).

Investors' knowledge of neural information plays an important role in Investors' Perception making process. The concept of neural information, in the context of this study is defined as the investors understanding of recent mutual fund price movement, the current economic indicator (e.g. business cycle, GDP) and the fluctuation/developments in the mutual fund index.

The effectiveness of the mutual fund depends on level of knowledge and confidence of the investors, investment pattern changes with occupation, education, gender and age. The objective of this inquiry is to find intensity of knowledge among the investors. The study reflects that the structures of income and open systems are required in prevailing market environment rather than development schemes and closed system. Investors are ensuring protection of the principal, the appreciations and profitability order of importance. The main information source in procurement of the mutual funds are journals and newspapers. The investment schemes being informed by, and in service of, an investor, is a major factor(Saleem, 2021).

Demographic factors

Demographic factors play a major role in deciding the investment behavior of individuals. Better understanding about relationship between demographic factors and individual investors' Perception making helps individuals to improve the quality of their investment decisions and standard of living of them. It will also support financial institutions and policy makers in designing new financial products (Yogendrarajah, 2017). finds out the importance of the demographic factors of population like age, gender, occupation, education, income and expenses, savings and family size over several elements of investment decisions such as priorities based on features of the investments, investment's time period, reach of the information source, investment's frequency and abilities to analyze. Said study was done by conducting a survey in Nagapattinam district

of Tamilnadu, South India. The study reveals that the demographic factors have a significant influence over some of the Investors' Perception elements and insignificant in others elements too. The study showed that a few demographic variables like annual income and savings, family size have a significant relationship. But the remaining of the variables have no significant relation with period of investment made by investors. Study also reflects a general or normal view of investors' perception for investment over different investment avenues.

2.2 Review of Related Study

Kon(1983) evaluated the performance of mutual funds in terms of selectivity and timing parameters over a period-January to June 1960. The sample consisted of 37 mutual funds. The study reflected that individually few of funds have reflected positive selectivity and timing skills. But collectively the mutual funds failed to perform satisfactorily. The researcher suggested an empirical methodology to measure market-timing performance of an investment manager and provided the evidence of significance superior timing ability and performance. Multivariate tests were not inconsistent with efficient market's hypothesis. The fund managers as a group have no special information about formation of expectations on market portfolio's returns.

Carhart(1997) his study explains the short-term persistence in equity mutual funds return with common factors in stock returns and investment costs. He also explains that portfolio turnover, expense ratio and load charges of fees are significantly and negatively related to performance. Expense ratio appear to reduce performance a slight more than one-for-one. Turnover reduces performance about 95 basis points for every buy and sell transactions. His study also offered only very small evidence consistent with skilled or informed the mutual fund managers. The evidence is consistent with the top mutual funds earning back their investment expenses with higher gross returns and lastly the investment costs of expense ratio, transaction costs and load fees all have a direct, negative impact on performance.

Sorros(2003) his article tries to appraise performance of sixteen equity mutual funds which are operating in financial market of Greek. Sample of the mutual fund rank as per total risk, their return, coefficient of variation, systematic risk, and the techniques of Treynor, and Sharpe. Four of the mutual funds achieved lower return than the General Index of Athens Stock Exchange (ASE). All selected mutual funds reflected lower total risk, and risk-return coefficient than General Index of the ASE. In all of the mutual funds, beta coefficient was significant statistically at significance level of 5%. Alpha coefficient also was significant statistically at significance level of 5% in eight mutual funds.

Ranganathan(2006) he explained the emerge of an array of savings or resources and investment alternatives and dramatic rise in secondary market for financial assets in the recent years in India has opened up as totally new area of value creation and management. Mutual fund industry in India has a large untapped market in urban areas besides the virgin markets in semi-urban and rural areas. The survey outcomes of study will have several important managerial implications for AMCs in product designing of AMC, management and marketing of the fund. Outcomes of study can assist to make cost effective strategic decisions and hence would be interest to existing and new both mutual funds, individual investors and fund managers.

Joshua&Wilson(2008) explored how the does size affect Mutual fund Behavior his suggest that managers seek to scale up their existing investments as the fund grows, and are not interested in generating additional investments as the fund grows, and are not interested in generating additional investment ideas expect to compensate for liquidity constraints. Managers appear to be trying to remain focused on their few bets, following Mark Twains investment advice. "Put all your eggs in one basket, and watch the basket". He documented a positive relationship between diversification and subsequent performance, controlling for fund size and family size. This relationship is stronger for small-cap funds presumably because they are more constrained. Either managers diversify optimally or the level of diversification reveals their skill or some managers diversify sub optimally.

Padmaja (2013) study on consumer behavior towards Mutual Funds using primary and secondary data with sample size of 100. He analyzed complete information should be provided to the investors who invest in mutual funds about their function and way to manage them. Average investors are still restricting their choices to conventional options like gold and fixed deposits when the market is flooded with countless investment opportunities, with mutual funds. The government also has to take some measures to encourage people to invest in mutual funds even though it is offering schemes like Rajiv Gandhi Equity Savings Schemes to the investors. He believed that some of these measures could lift the morale of the mutual industry which has been crippled for the last three years.

Chawla(2014) tries to find out a Empirical analysis of factors influencing investment in mutual fund, the study is done on a sample size of 431 respondents. Samples were chosen applying convenience sampling to better understand mutual funds buying behavior of individual investors. Article finds some attributes that investors take as significant while investing in the mutual funds. The relationship of these factors with demographic variables is ascertained. The article suggests recommendations for the mutual fund companies and suggestions for future research.

The main finding of this article is different attributes that investors do take as important while making investments in the mutual funds. There are two underlying factors of importance that are extracted. They are Credibility of fund and Miscellaneous features of fund. It has also been established that issuing company's past performance, the growth funds and tax-saving funds with capital appreciation are important considerations for investors in a mutual fund. From his study, more than 54 percent of investors require a higher return and capital appreciation along with low risk and tax savings, which reflects that the investors keep high expectations from the fund managers, whom they expect to provide a high return with minimum possible associated risks. This is contradictory to the well known theory in finance that "high return is associated with high risk". Though the mutual fund face under constant pressure to make investments in the securities those are likely to provide much higher returns than that of risk-free instruments.

Selvaveerakumar(2014) studies on factors influencing for investment in mutual fund among the investors with reference to Madurai District. The main purpose of investor is to minimize risk involved in the investment and maximize return from investment. Investment pattern among the investors is analyzed with the help of assets invested in mutual funds, number of mutual funds, number of mutual fund families, and like hood of future mutual fund investment and perceived riskiness of mutual fund investment among investors.

1. They suggest the highly considered factors to select the mutual fund scheme among individual investors are performance and nature of fund.
2. The factors considered for selecting the mutual fund identified by the factor analysis are the nature of fund, performance, company services, fund manager and personal factor.
3. The important decision variables to invest on mutual funds among the individual investors are liquidity factors, risk involved in mutual fund and current market manager, type of fund and past performance of the fund.
4. The significantly associating profile variables with the perception on decision variables among the investors are monthly savings, risk orientation, family income, personal income and occupation.

Finally, they conclude that the institutional investors are well versed than the individual investors in the mutual fund market. The important factors leading to invest on mutual fund are level of education, occupation, personal income, family size, family income, monthly saving, risk orientation, knowledge on financial market, scientific orientation, and years of experience and the proportion of investment on mutual funds to total investment. The factors considered to select the mutual fund schemes are the natural of funds, performance, company services, fund manager and personal factor. The important decision variables influencing the investment on mutual funds are liquidity factors, risk involved and current market conditions. The important problems identified by the investors are performance, fund management, company, service and market. The profile of the investors plays its own role in the investor's behavior.

Arathy (2015) described the affecting factors on mutual fund and its preference of retail investors on August 2015, by using Questionnaire and personal interview research instrument whereas they use primary data to study the sample they have taken. They used snowball sampling and Random sampling for their study by using 200 sample size.

1. They suggest the retail investors can be grouped into several groups so that the right or appropriate product shall be served to the right investor.
2. They suggest increasing loyalty and the trust among the investors, suitable knowledge and information should be provided to the investors.
3. They also came to know that the financial consultants must be ensured transparency and responsibilities, they should be able of catering requirements of retail investors and marketing mutual fund products as well.

The mutual fund has emerged as one of the significant class of financial mediators which cater to requirements of the retail investors, the main factors affecting the Investors' Perception of retail investors are high return, tax benefits, capital and price appreciation whereas, equity-based schemes are the most preferred schemes.

Rao (2016) examined the factors influencing investors in mutual fund selection and concluded his study by finding that in reality, the qualities of product, qualities of fund sponsor and investor services are significant should be thought by the fund companies. They must build quality schemes to fulfill the expectations of investors. Mutual fund companies must enhance their image by recognition and strengthen relations with investors, securing identity through information disclosure approaches. The mutual funds should provide the advisory services as investors should invest systematically with the appropriate guidance of advisor. Investors have to think for the long-term investment in the mutual funds so as to get positive returns as the mutual funds are supposed to be more diversified and risk averse. Different factors identified in study give valuable information regarding pattern of the investors, priorities and preference of investors. This will suggest the organization in developing and designing financial products for different groups of the investors.

Reddy(2016) described the perception of individual investors towards performance of the mutual funds. His analysis reflects that demographic profile of investors has a significant impact on investors' decision related to the investments and particularly mutual fund investment. Most of the respondent prefer bank deposited followed by equity shares. The investors are willing to invest in mutual fund based on a combination of return, liquidity, tax benefits, safety, and profitability provided by fund schemes. The factors that affect the choice of Mutual Funds Organization are the past performances followed by suggestions. Furthermore, the analysis reflects that choice of scheme is decided based on objective of fund and return on investment and the benefits. Study concluded that Mutual funds investors are not satisfied with the industry performance and services but are satisfied towards investment opportunities in the industry. Every investors agree that mutual fund is less risky than the shares. Mutual fund is suitable for small investor for their positive return in capital markets.

Bajracharya(2016) has explained about the Mutual Fund Performance in Nepalese Mutual fund units and analyzed mutual funds have not performed better than their standard benchmark indicators. Some have performed better than their standard benchmark of its systematic associated risks but with the respect to volatility most of funds have not performed better. Samples are highly diversified due to their high diversification in portfolio. They have condensed portfolio's total risk whereas, other mutual funds have low diversification in portfolio and have more risk. in spite of intense prospects of mobilizing resources and providing the investment opportunities to the small investors and ability to gather different risk profiles through offering a wide range of products, one main factor as to why mutual funds have not emerged as a preferred saving option is the lack of availability of quality stocks and capital market's underdeveloped state.

Jagtap(2017) studies on "Effect of demographic Variables on Mutual Fund Investors' Perception among Academicians of Indore City" the study helps to understand rapid growth of mutual fund result in growth of development of infrastructures, rise in personal financial assets, increase in foreign participations, growing risk appetite, increasing

income, and rising awareness mutual funds are emerging as the preferred option for investment as compared to the other options for investment such as fixed deposits offered by commercial banks and saving products of post office. The findings reflected that there is a significance difference of age and gender on preference for investment of the mutual funds investment decision making. It is also found that there is no significant relation of marital status on mutual fund investment perception. The findings will assist mutual fund companies to offer innovative and new products as per the requirements of academicians and if AMC consider the gender and age while making mutual funds scheme then it will attract the more investors. This research gives stage to all the companies which are involved in wealth creation. It also guides to consider the demographic profile, especially profession while developing any investment fund scheme.

1. The studies show assets management company should target male investor for serving mutual fund schemes because males are found to be more aware towards investment avenues because of financial literacy, financial responsibility and risk-taking capacity.
2. It is also suggested that the MF scheme should serve according to age group of investors.
3. It finalized that the married people are found to be passionate towards investment in Mutual Funds hence Assets management company should focus married people for serving Mutual Fund scheme.

Kandel(2018) he explored the Investors preference towards mutual fund in Kathmandu valley with the sample size of 156 and uses the Microsoft excel and SPSS methods of Data analysis with this methods the major conclusion of the research is the investors have low familiarity with bonds and debentures and money market instrument, medium familiarity with shares and high familiarity with fixed deposits. From this analysis it was found that the mutual funds could be worthy institution for fulfilling the gap between the individual savers and established business in Nepal. It could be means to catch and collect small investors of Nepal to assist them to enter into securities market of Nepal. Nepal government is required to formulate distinct laws and policies for mutual funds so

that public can be familiarized themselves with different types of mutual fund schemes and take the decision to invest in them.

Manrai(2018) his study shows that the basic factors like past performance, experience of fund manager, return, risk, diversification play a significant role in decision-making process of any investor. Liquidity and volatility have a very minuscule effect on investment advice as they are risk averse and lack in detail knowledge regarding funds and its management. Study integrates construct from factors influencing investment in mutual funds into an insightful investment investor perception play a very significant role in Investors' investment Perception making process.

Joshi(2018) carried out study on "An analysis of security Market Growth and Individuals' Investment Decision" it tries to analyze the growth of Security Market and determine the most affecting factor that make investment decision. To examine relationship between Investment decision and influencing factors. Data are collected from primary and secondary sources for this study. To determine the relationship between Investment decision and affecting factors, T-test has been applied.

She concluded that the ratio applied to find out liquidity and market size has provided acceptable ratio in developing countries. The total indicator applied in her study to find outgrowth, which provides positive indication. As per these results, it has been reflected that the capital market of Nepal has developed since 2005/06. This argument is supported by the gradual infrastructure progresses in primary and secondary market, i.e. CDS and the mutual funds.

Her findings also guide us that most affecting factor in Investors' investment Perception developing is the firm's reputation. Investors are assumed to centralize on get rich quick notion but data reflected that the investors are least affected by it. It shows that the investors are not conscious about speculative gain they can earn by grabbing opportunities. Results confirm that investors' trust on recommendation of broker is very limited. It shows that the investors are well aware that stock brokers can manipulate them easily if they blindly trust on the recommendations of brokers while making perceptions regarding investment.

The investor prioritizes the information received from statement from the government officials, press which instruct the investors regarding real situation and prevents investors from investing in weak financial institutions. The investors not only invest to gain the higher return but they also invest to minimize the associated risks. It implies that they have some awareness about financial diversification and it is because of higher education.

Shrestha(2020) his study centralizes to identify the factors affecting decision for investment of capital market's individual investor of Nepal by using primary data on Surket Nepalese investor prefer stock of those, Valley. The study finds that most of investors prefer to buy stocks from primary market and majority of investors analyze company before making the investment in stock. Further, majority of investors monitor their portfolio occasionally and majority of investors use their own resources for making investment in stock. Shrestha concludes that majority of investors use of information of "Electronic media" for making decision and they follow suggestion from "Family and Friends" as well for making appropriate decision regarding investment. Further, most of the investors ranked firstly stock of commercial bank to make investment and it is followed by hydropower sector. The most significant variable regarding the company related variable is the company's financial performance. Hence, it can be said that investors consider financial performance of company for making decision for investment in stock market of Nepal. Further, among the investors of Nepal prefer stocks of such companies whose expected return will be high in the future and variable respondent have given more priority on market information to make decision for investment in stock.

Sharaz Saleem, Faiq Mahmood, Muhammad Usman, Mohsin Bashir, and Rizwan(2021) examined on determinants of investment behavior in mutual funds this research covers various major factors regarding investment behavior of the mutual funds within mutual fund industry of Pakistan. The research includes new areas like knowledge of behavior of mutual fund investors towards mutual funds, which has not been affected in Pakistan. No any systematic study has been done on the investors' behavior in mutual funds. Investment theory was studied below theory of planned behavior as an extension of reasoned action's theory.

The theory suggests that the behavior of an individual, which is the attitude to an active and subjective norm, should be governed by behavioral intention. The theory of planned behavior explains the relationship between perceived behavioral control and its positive association with intentions. The individual investor's investing behavior is different from behavior of the institutional investors.

In their study, major significant variable that influenced the investor's behavior is MFA (mutual fund Awareness). The behavior of investors depends on knowledge regarding mutual funds. If the investors have knowledge regarding mutual funds, there is a positive relationship between these two variables. If the investor does not have much knowledge of mutual funds, the relationship is found to be negative. Relationship between return perception and investment behavior, whether positive or negative, depends on how the investors perceive risk while making decision for investment. Return perception can influence behavior of investors in both negative and positive perspectives.

Manjare(2021) surveyed on critical analysis of the factors affecting Mutual Fund investment and retail investor inclination. The research focuses to find out variables that affect investment perceptions regarding mutual fund and their priority over institutional investors. A survey including 200 mutual fund investors from two cities was conducted to understand better their perceptions and preference. Main findings of the study were;

1. To expand the mutual fund industry's reach, product designers should formulate strategies regarding new products introduction in the market.
2. Separation of retail investors into various groups or categories is required to make sure that same commodity is served to the right buyer.
3. Financial advisor should keep transparency and accountability and be capable of meeting requirements of institutional investors and selling mutual fund offering as well.

They suggest that the mutual fund is the one of the significant options for the investors as it gives attractive return with the diversified portfolio. The investor has also thought that no single scheme or set of schemes are always suitable for every investors. The study showed that portfolio's scheme, the fund's past performance , fund's liquidity are the

main factors which affect the Investors' perception of the investors in Pune and Kolhapur city. The investor should try to develop basic, technical and financial analysis before investing in stock. Investors' behavior while investing in mutual funds will depend on their attitude and investors having the various way of thinking will have various motive and having various reasons while making decision for investment in future.

Table 2.2
Summary of Literature Review

The major studies including some seminal works have been presented in Table 2.2 below.

Study	Major Findings
Kon(July 1983)	The findings of the study show that various attribute that investor consider important while investing in mutual funds. More than 54% of the investors prefer a higher return and capital appreciation along with low risk and tax savings, which shows investors do have high level of expectations from the fund managers, whom the investors expect to create a high return with minimum associated risks. Mutual fund face under continuous pressure to invest in stocks and securities that are likely to provide higher returns than of risk-free instruments.
Carhart(1997)	Study reflected that individually some few funds have revealed positive selectivity and timing skills but collectively the mutual funds failed to perform satisfactorily.
Sorros(2003)	The finding of the study was short-term persistence in equity mutual fund returns with the common factors in stock returns and investment costs. The portfolio turnover, expense ratio, and load fees and charges are significantly and negatively related to the performance.
Ranganathan,(2006)	His article focuses to evaluate the performance of sixteen equity mutual funds and all selected mutual funds reflected lower total risk and risk-return coefficient than the general index of the ASE. In all

	selected mutual funds, beta coefficient was significant statistically at significance level of 5%. Alpha coefficient was also significant statistically at significance level of 5% in eight of the mutual funds.
Joshua and Wilson(2008)	From the study it has observed manager seek to scale up their existing investments as the fund grows, and are not interested in generating additional investments as the fund grows, and are not interested in generating additional investment ideas expect to compensate for liquidity constraints. He documented a positive relation between diversification and subsequent performance, controlling for fund size and family size. This relationship is stronger for small-cap funds presumably because they are more constrained. Either managers diversify optimally and the level of diversification reveals their skill or some managers diversify sub optimally.
Padmaja (2013)	The finding of the study have some useful managerial implication regarding the assets management company in marketing of them, management of the fund and the product designing whereas result of study can assist to make cost effective strategic decision and would be interest to existing and new both mutual funds, fund managers and the individual investors.
Chawla(August 2014)	The finding shows that the average investors are still restricting their choices to conventional options like gold and fixed deposits when the market is flooded with countless investment opportunities, with mutual funds. The government also has to take some measures to encourage people to invest in mutual fund.
Selvaveerakumar, (2014)	The study explained that the institutional investors are well versed than the individual investors in the mutual fund market. The important factors leading to invest on mutual fund are level of education, occupation, personal income, family size, family income, monthly saving, risk orientation, knowledge on financial market, scientific orientation, and years of experience and proportion of

	investment on mutual funds to total investment. The profile of the investors plays its own role in the investor's behavior.
Arathy (2015)	The study found that the retail investors can be grouped into different groups so that right product shall be served to right investor. Appropriate information and knowledge should be provided to investors to increase the loyalty and trust among them. The financial consultants should make sure transparency and responsibility, so they can be competent of catering requirements of retail investors and marketing the products regarding mutual fund.
Bajracharya(2016)	The finding of the study was analyzed that mutual fund has not performed better than their standard benchmark indicators. Some of the funds have performed better than the standard benchmark of its systematic risk but with respect to volatility majority funds have not performed better. One major factor as to why the mutual funds have not emerged as a preferred saving mode is the lack of availability of quality shares and the underdeveloped state of the capital market.
Reddy(2016)	The finding of the study revealed that the investors' demographic profile has a significant effect on investor's decision regarding the investments and particularly investment in mutual funds. Mutual fund investors are not satisfied with industry performance and services but are satisfied towards investment opportunities in industry. Every investor agrees that mutual fund is less risky than shares. Mutual fund is suitable for small investor for their positive return capital markets.
Rao (2016)	The result of the study demonstrated that factors influencing investors in mutual selection is that in reality, qualities of the product, qualities of fund sponsor and investors services are significant should be bear in mind by the fund companies. The study provides valuable input about the pattern of the investors, preference of the investors and the priorities that will direct organizations in designing financial products regarding the various segments of the

	investors.
Jagtap(2017)	The results reflected that there is a significance difference of age and gender on mutual funds' investment preference and there is also no significant effect to marital status on decision for investment on mutual funds. It gives stage to all those companies, which are affianced in wealth creation. It suggests having considerations of demographic profile, especially profession while creating any investment fund scheme.
Manrai(2018)	The study found that the basic factors like past performance, fund managers' experience, return, risk, diversification play a significant role in process of decision-making of the investors. The study integrates construct from factors influencing investment in mutual funds into an insightful investment investor perception play a very vital role in the Investors' Perception making process.
Joshi(2018)	She concluded that the most of the affecting factors to make decision is the firm's reputation. Investors are assumed to hub on get rich quick notion. But data reflected that they are least affected by those intentions. The trust of the investor on broker recommendation is very limited. Investors not only invest their resources to gain higher return, but also invest to minimize the associated risks.
Kandel(2018)	The study concluded that the mutual fund can be taken as a worthy institution for fulfilling gap between individual savers and the established business in Nepal. It could be medium savers to magnetize small investors of Nepal to assist them to enter into securities market of Nepal. Nepal government be supposed to develop distinct policies and laws about mutual fund so that public maybe familiarized themselves with different types of mutual funds and take investment decision in them.
Kumar(2020)	The study concluded that the funds' past performance, scheme of portfolio, liquidity of fund are the main factors which affect the investors' decision. Investors' behavior while making investment in

	the mutual funds will rely on their attitude and investors having various attitude will have various motive and having various reasons while making decision regarding investment in future.
Shrestha,(2020)	They suggest that the individual's behavior, which is attitude to the active and subjective standard, should govern by behavioral intent. Behavior regarding investment of the individual investors is different from investment behavior of institutional investors. Return perception may affect the investor's behavior in both negative and positive ways.
Manjare(2021)	Main finding of the study was by mutual fund is entirely a new phenomenon for beginners and investor from each selected segment i.e. from urban, semi-urban and rural the concept is almost same and the factors are somehow equally influencing the investment pattern of the investors. Whereas liquidity influence the semi-urban people more as they are not sure about the sudden situation and want to ensure the high liquidity before making any investment.
Sharaz Saleem, Faiq Mahmood, Usman, Bashir, and Rizwan(2021)	From his study it has been observed that majority of the investors use the information from Electronic Media to make decisions. They follow suggestions from friends and family as well for proper decision making regarding investment. The investors of Nepal prefer shares of such companies whose expected return will be high in the future and variable respondent have given more priority on market information to make decision regarding investment in stock.

2.3Research Gap

Although there are several types of research conducted related to investors' responses covering various aspects of the mutual fund, securities market, and mutual fund covering pricing behavior in the context of the Nepali financial sector, it is found that very few studies regarding investment perception towards mutual fund have been made to the best of my knowledge. Also, it seems that some are lacking in complete study of factors

analyzed and considered by the investors regarding mutual funds, their performance, public response and the prospectus in Nepal. Some of studies have focused on factors like product designing, transparency and accountability of the fund management company. This study shows that pace of mutual fund, investor response, public awareness, and factors influencing investors' perceptions like scheme offered, risk and return associated with the fund and investors' level of awareness towards the investment in mutual fund. This study is aimed to analyze investor's perception towards mutual fund on initial public offering with the help of determinant variables. In this context, the study is meant to find the preference of the general investors regarding investment in the securities through the primary market. The focus of this study is on the status of general investors in Nepal. This study aimed at revealing those gist factors which could be decisive from the investors' view of whether to invest or not in a particular company. Such information generated would be more efficient to that interested person, scholars, students, businessman and the company for predicting future trend and give reliable information and investment perspectives in mutual fund.

CHAPTER III

RESEARCH METHODS

This chapter mainly emphasizes on the research process and methods design to meet the stated objectives of the study. It covers research plan, design, description of the sample, instrumentation, data collection procedure, validity and reliability of data and analysis plan.

3.1 Research Design

The research is quantitative in nature. This study employs a descriptive research design and causal-comparative research design to deal with the fundamental issue associated with the Investors' perception towards mutual fund with reference to Nepalese market. The descriptive research design has been adopted for fact-finding and searching for sufficient information regarding the factors influencing investment decisions. This study has also employed causal-comparative research design to determine the cause and effect of independent variables such as fund schemes, risk and return, and investor's level of awareness with dependent variables i.e. Investors' Perception in mutual fund to analyze the factors affecting investment perception. Data has been collected by formulating the self-administered questionnaire consisting of various questions from classification questions, single response questions, multiple response questions and Likert scale questions. Statistical tools SPSS 23 software has been applied to process data collected and a descriptive technique has been adopted to determine the factors affecting investment perception. The finding of the research is totally based on the data and facts provided by the sample respondents.

3.2 Subjects

The subject of this study is the total proportion, sample size and the variable used in the research. The dependent variable of the study is Investors' Perception in mutual fund where as independent variables of the study are fund schemes, risk and return and investor's level of awareness.

3.3 Population and Sample

The population of the study was all investors who invest in mutual fund in Nepal. Though the population is scattered all over the Nepal and there is main concentration of large size, the investors residing in Kathmandu Valley were only taken as sample for the research.

Convenience sampling is used to collect the data from genuine investors. In this survey, the sample was selected from the mutual fund investors in from Kathmandu valley, Nepal. As the research aims at exploring the behavior factors of individual investors, a relatively large sample is recommended.

Regarding the sample size, 100 questionnaires were distributed. There were valid survey responses among completed surveys forms, excluding those with missing information responses the calculation of sample size was based on $p=0.05$, where the probability of committing type I error is less than 5% or $p < 0.05$.

$$S = \frac{X^2 NP}{d^2(N-1) + X^2 P} \dots \dots \dots (1)$$

Where,

S=required sample size

X^2 = Chi-square's table value for 1 degree of freedom at desired level of confidence (0.005=3.841)

N= Size of population

P = Population proportion (assumed to be 0.05) since this would provide the maximum sample size

d= degree of accuracy expressed as proportion (0.05)

3.4 Source of Data

The study used both primary and secondary data as its sources of information. Primary data is collected with structured questionnaire administrated to the investors of mutual fund. The data so collected were presented in tabulated, calculated based on percentages outcomes to draw inferences.

The secondary data have been cited and referenced through previous research works, articles and related journals, and also online available information.

3.5 Instruments

Accurate and systematic data collection is critical to conducting scientific research. Data collection allows us to collect information that we want to collect about our study objectives. This helps to relate with the outputs of the research project report. Simple and direct questions are included in the close ended and self-administered questionnaire in order to avoid any confusion on the part of respondents.

The questionnaire included different sections for the ease of the respondents. The first section included personal information of the respondents to draw some conclusion on the basis of demographic profile of the respondents. The second section includes questions related to objectives of the study that consist of multiple-choice questions so that respondents can mark one of the several choices of answers. In the third session, the sample respondents were given scenario-based question to which they were asked to mark their response in a range of Likert scale questionnaire from 1 to 5 points where 5 was for strongly disagree, 4 for disagree, 3 for neutral, 2 for agree and lastly 1 for strongly agree. The respondents ticked the most appropriate response to each statement as per the request. The questionnaire has been included in the appendix.

3.6 Data Analysis Methods and Procedure

Data can be collected from two sources: primary source and secondary source. Data collected through primary sources like questionnaire, observation interview etc. are primary data. These data are in raw form and requires further processing. Data which are collected from secondary sources like journals, articles, bulletins, reports etc. are secondary data. These data can be either published or unpublished but they are already processed by other individuals. After the observation, the respondents were selected based on convenience sampling.

3.7 Method of Statistical Analysis

The data collected were statistically analyzed through SPSS-23. Data analysis was carried out through frequencies, mean, percentage, standard deviation and independent sample t-test were performed as appropriate to accomplish the objective of the study.

a. Descriptive Statistics

Descriptive statistics has been used to summarize the collected data, and describe and understand its basic features to facilitate easy comparison. It includes the calculation of frequency and percentage schedules. The central representative value of entire data sets drawn by the use of mean and standard deviation is used to measure the dispersion.

b. Reliability and Validity

Reliability is fundamentally concerned with issue of consistency of measures. There are three prominent factors- stability, internal reliability and inter-observer constancy. Validity showed how much any measuring instrument measures what it is intended to measure. Several ways of establishing validity are face validity, concurrent validity, predictive validity, construct validity and convergent validity. It can use Cronbach's alpha method to assess the reliability or internal consistency of the set of data or test items.

c. Correlation Analysis

Correlation Analysis is used to quantify the association between dependent and independent variables. Correlation analysis measure and analyze the degree of relationship between two or more variables, which precisely determine the direction and degree of relationship (Creative Research systems, 2016). The most widely used type of correlation coefficient is Pearson's Correlation. It has been employed for the purpose of this study. The significance level is kept at 0.05, which means there is 95% of confidence level.

3.8 Conceptual framework

A conceptual framework relates concepts, empirical research, and relevant theories to advance and systematize knowledge about related concepts or issues.

Decisions for investment are affected by various factors. It is an accepted fact that the investors are the focal point of financial market. Investors' behavior is not a static one. It varies on different places and different securities. So it is required to identify the factors which affect investment perceptions. To boost investment and develop suitable theories and

policies, it is required to know how investors invest in securities (Aruna & Rajashekar, 2016).

This study focuses on the Investors' Perception towards mutual fund with reference to Nepali mutual fund investors. Following conceptual framework is developed to link a relationship between independent variables and dependent variables. Investors' Perception on mutual fund is dependent variable and there are three independent variables which are fund scheme, Risk and return and investors' level of knowledge.

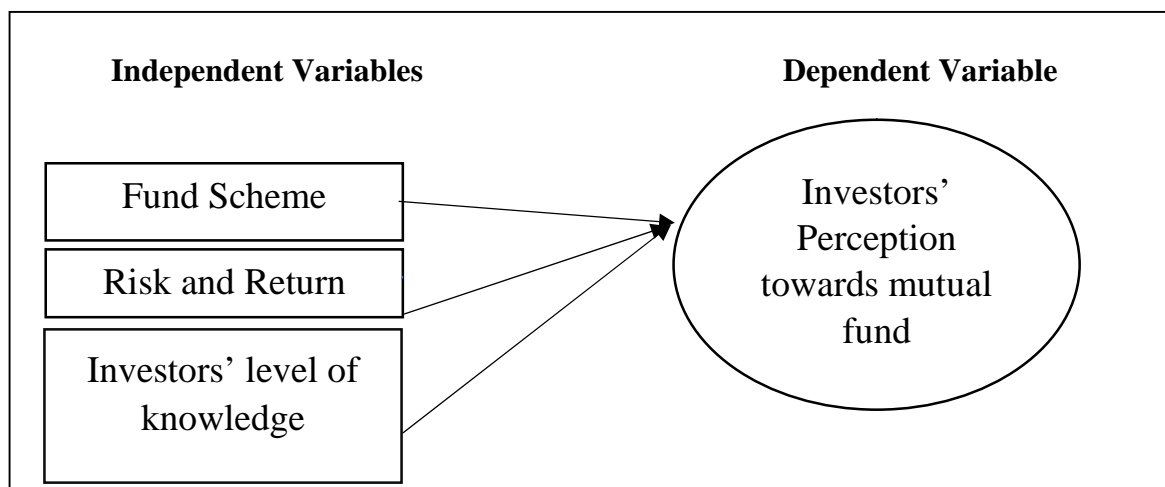


Fig 3.1 conceptual framework showing dependent and independent Variables

3.9 Definition of the Terms

The following section deals with the different terms used in the research paper.

Financial market:

Financial market implies a market in which securities are purchased or sold. Funds are transferred in the financial markets when one party purchases financial markets when one party purchases financial assets previously held by another party. Financial markets facilitate the flow of funds and thereby allow financing and investing by households, firms, and government agencies.

Investors:

An investor is someone who invests in securities and assets of companies in a primary market or secondary market. All those investors having DEMAT account fulfill the criteria of investor and considered as population for the study.

Decision-making

With institutional investors, investments are usually overseen by different individuals in the organization. For example, the board of director makes the decision-making process more challenging as people are likely to propose different ideas on what trades to make. As an investor, individual is boss of himself and the sole decision maker it comes to buying and selling shares. It depends upon us what decision we are individually taking to invest in mutual fund.

CHAPTER IV

RESULT AND DISCUSSION

This chapter is consist of presentation and analysis of collected data through questionnaire survey. Descriptive analysis, correlation, regression and hypothesis testing and their results are presented to fulfill the research objectives regarding Investors' perception towards mutual funds in Nepal.

4.1 Background

A questionnaire survey is designed to understand to view of the respondent regarding the factors influencing Investors' Perception on mutual fund. A set of the questionnaire including, multiple choices and Likert scale type of questions were provided. Altogether 100 respondents were surveyed and analyzed in accordance with the objective of the study. The respondent's profile along with their personal characteristics and result of the survey are presented in following sections. The percentages, frequency, mean, value, maximum and minimum value has been calculated to do the proper analysis of the data.

4.2 Respondent's profile analysis

The respondents' profile has been measured in terms of gender, age, education, occupation and income. The gender, age, education, occupation and income status of the investors under study are discussed separately as follows:

4.2.1 Gender Profile Analysis

Table 4.1 shows the respondents' profile regarding the gender of the respondents which has been categorized as male and female.

Table 4.1: *Gender of Respondents*

Gender	Number of investors	Percentage
Male	70	70.0
Female	30	30.0
Total	100	100

Source: Survey, 2021

The adjoining chart represents the statistical about the gender of respondent

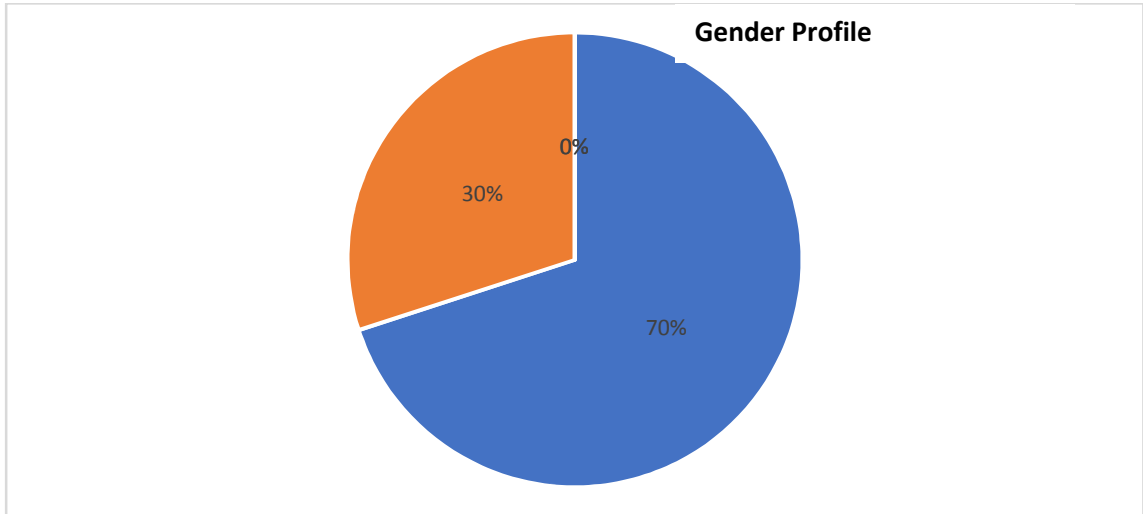


Figure 4.1: Gender of respondents

Table 4.1 clearly shows the gender of the respondents under study. The result reveals that 70.0 percent of the respondents are male and remaining 30.0 percent are female. The figure shows that majority of the respondents are male.

4.2.2 Age profile analysis

Table 4.2 shows the respondents' profile regarding the age group of the respondents which has been categorized in four different age groups: age group belonging to 25 to 35 years, 35 to 45 years, 45 to 55 years and above 55 years.

Table 4.2 Age of Respondents

Age group	No. of Respondents	Percentage
25 to 35 years	40	40.0
35 to 45 years	31	31.0
45 to 55 years	20	20.0
Above 55 years	9	9.0
Total	100	100

Source: Survey, 2021

The adjoining chart represent about the statistical data about age group

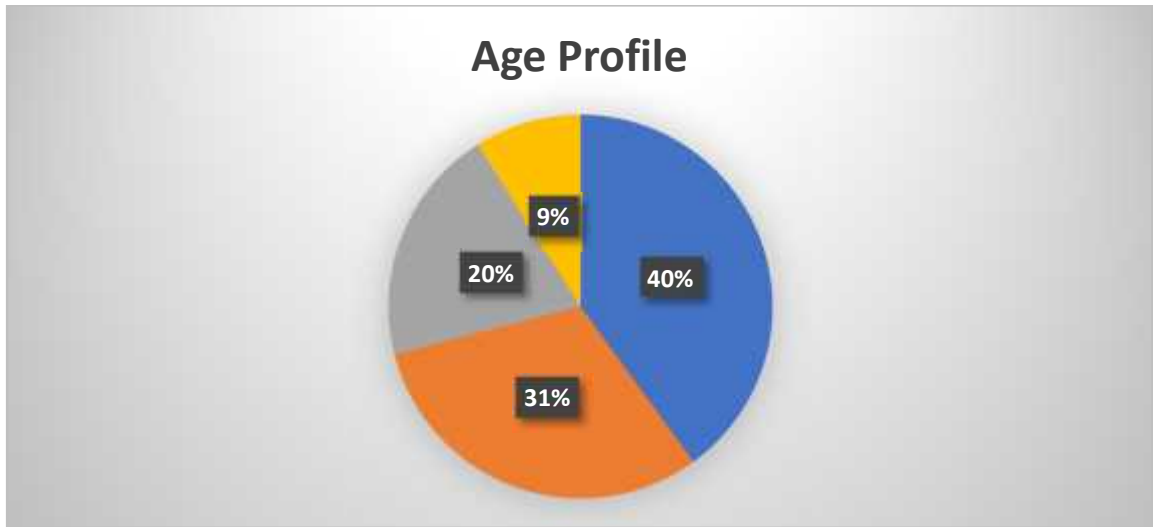


Figure 4.2: *Age of respondent*

Table 4.2 represent that 40 percent of the respondents under study belong to the age group of 25 to 35 years, 31 percent belong to the age group of 35 to 45 years, 20 percent belong to the age group of 45 to 55 years, 9 percent belong to the age of above 55. It clearly depicts that majority of the investors (40.0%) taken under study are within age group of 25-35 years.

4.2.3 Education Profile Analysis

Table 4.3 presents the education level of the respondents taken under study. The educational level of respondents is divided into four groups as post graduate, graduate, under graduate and up to +2.

Table 4.3: *Education of Respondents*

Education level	No. of Respondents	Percentage
Post graduate	29	29.0
Graduate	58	58.0
Under Graduate	12	12.0
Up to +2	1	1.0
Total	100	100

Source: Survey, 2021

The adjoining charts represent the statistical chart about the education respondent

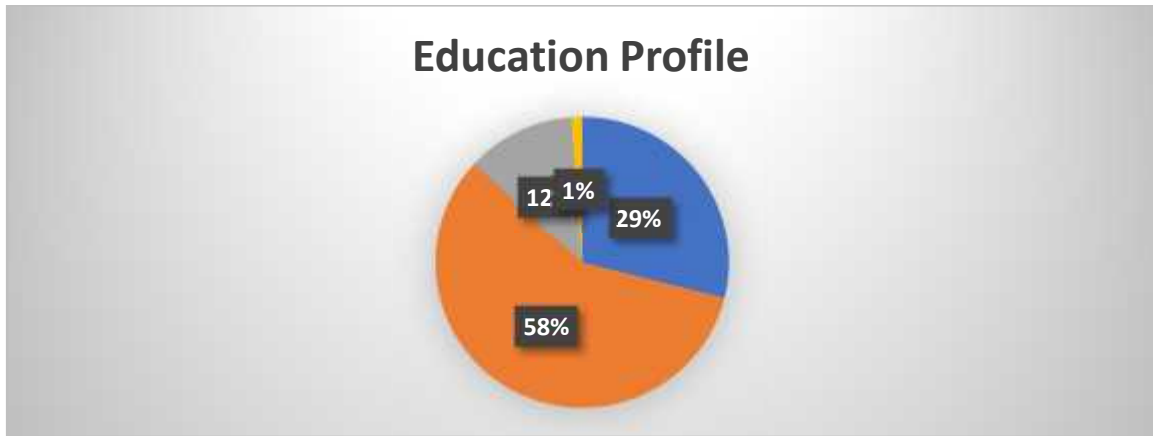


Figure 4.3: *Education of respondent*

Table 4.3 shows the educational qualification of the respondents. The results show that out of total respondents, majority of investors are from graduate that cover 58 percent and less investment from the intermediate level that is 1 percent.

4.2.4 Occupation Profile Analysis

Table 4.4 shows the occupation of the respondents taken under study. The occupation of the respondents is categorized into four sections i.e. student, business, service and retired/self-employed.

Table 4.4: *Occupation of Respondent*

Occupation	No. of respondents	Percentage
Service	41	41.0
Business	29	29.0
Student	19	19.0
Retired/Self employed	11	11.0
Total	100	100

Source: Survey, 2021

The adjoining chart represents the statistical chart of about occupation of respondent

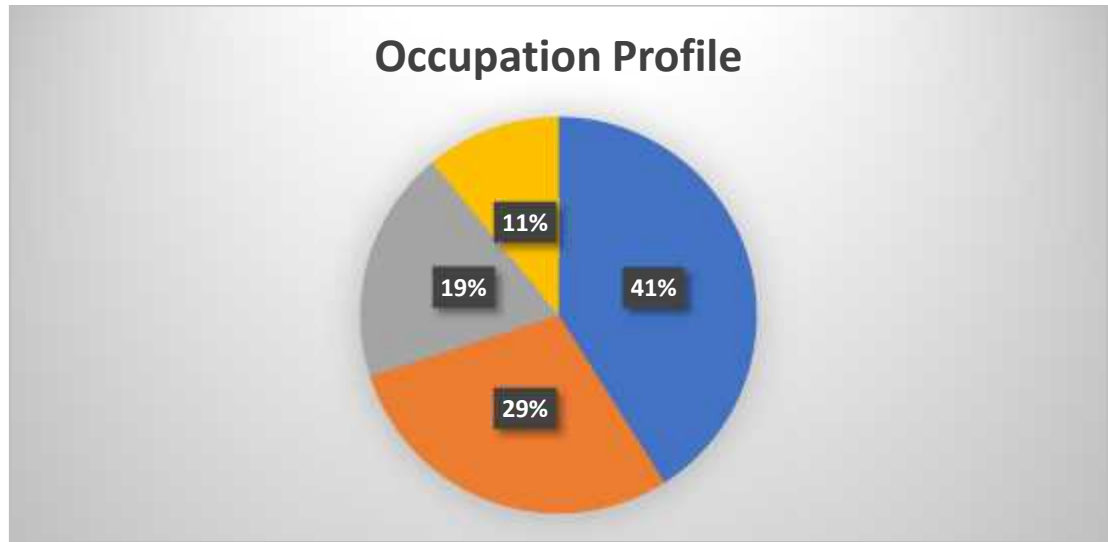


Figure 4.4: *Occupation of Respondent*

Table 4.4 represent that the higher portion of the respondents 41 percent are service holder followed by business person 29 percent, student 19 percent and 11 percent are retired.

4.2.5 Income Profile Analysis

Table 4.5 represents the income level of the respondents taken under study.

Table 4.5: *Income Level of Respondents*

Income	No. of Respondent	Percentage
Up to Rs. 10,000	16	16.0
Rs. 11,000 to Rs. 30,000	12	12.0
Rs. 31,000 to Rs. 50,000	15	15.0
Above 50,000	57	57.0
Total	100	100

Source: Survey, 2021

The adjoining chart represents the statistical chart about the income level of respondents

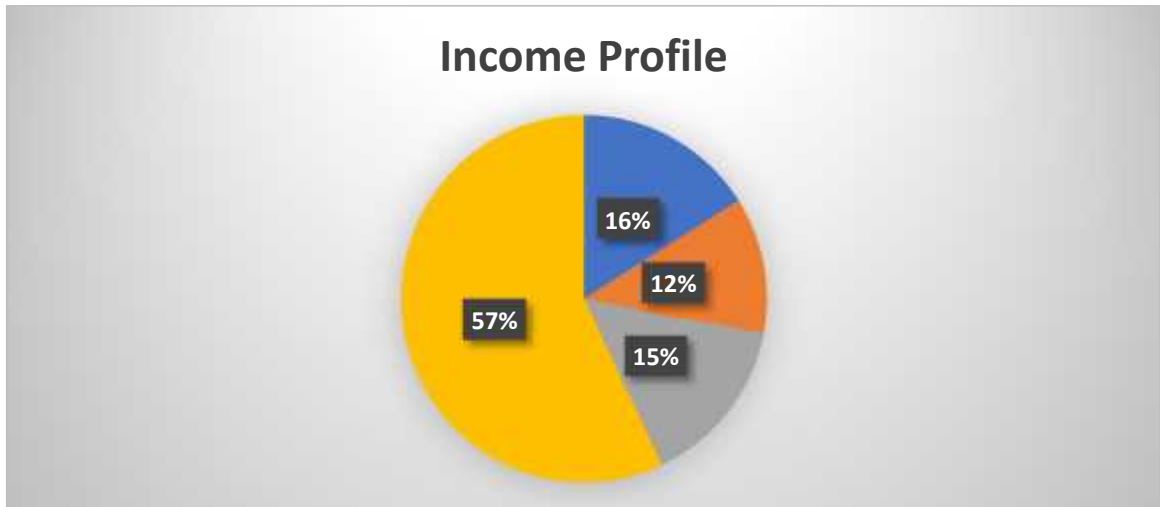


Figure 4.5: Income level of respondents

Table 4.5 shows the monthly income of the respondents which is categorized into four groups i.e. up to Rs. 10,000, Rs. 11000 to Rs. 30,000, Rs 50,000 and above 50,000. Majority income of the respondent 57 percent is from above 50,000 followed by 16 percent from up to 10,000, 15 percent is followed by Rs. 31,000 to Rs. 50,000 and lastly 12 percent is followed by Rs. 11,000 to Rs. 30,000.

4.3 Analysis of Investment Experience, Amount invest and Problem Faced while investing in mutual funds.

4.3.1 Analysis of Investment Experience

Table 4.6 represents the years an investor has experienced in investing mutual fund analyzed in the study. The years of investment have been categorized into 4 sections.

Table 4.6: *Years of Investment in Mutual Fund*

Years of investment in mutual fund	No. of Respondents	Percentage
Less than 3 years	37	37.0
3-6 years	45	45.0
7-10 years	12	12.0
More than 10 years	6	6.0
Total	100	100

Source: Survey, 2021

The adjoining chart represents the statistical chart for year of investing in mutual fund

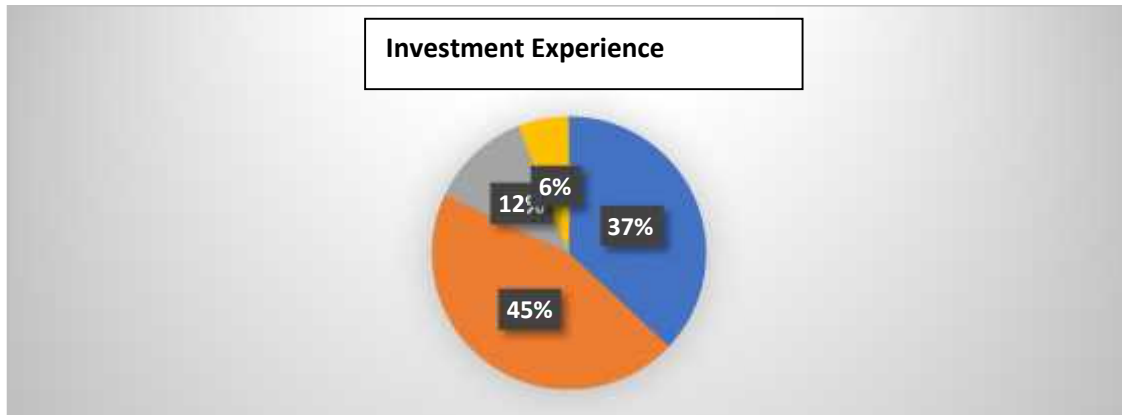


Figure 4.6: *Years of investment in mutual fund*

Table 4.6 shows that majority of the respondents 45 percent started investing in mutual fund for 3 to 6 years, and followed by 37 percent of respondent have started investing for less than 3 years, around 12 percent have been investing in mutual fund between 7 to 10 years and remaining around 6 percent of respondents have invested for more than 10 years.

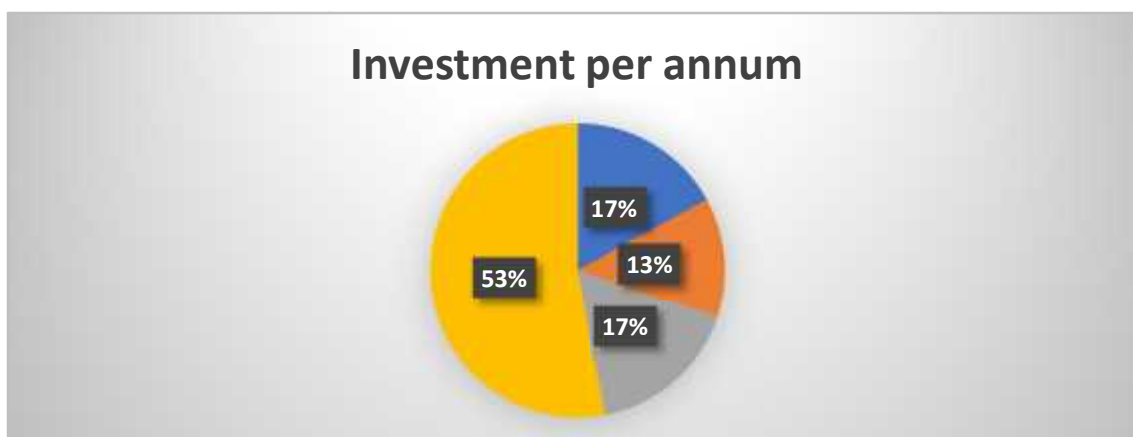
4.3.2 Analysis of amount invest in mutual fund

Table 4.8 represents the analysis of amount invest in mutual fund per year by the respondents.

Table 4.8: *Amount invest in mutual fund per year*

Years if investment in mutual fund	Number of Respondents	Percentage
Below Rs.10,000	17	17.0
Rs. 10,000 to Rs. 30,000	13	13.0
Rs. 30,000 to Rs. 50,000	17	17.0
Above 50,000	53	53.0
Total	100	100

Source: Survey, 2021



The adjoining chart represents the statistical chart for amount invest in mutual fund

Figure 4.8: *Investment per year of respondents*

Table 4.8 shows that majority of the investors 53 percent of the respondents' yearly investment is above Rs.50,000 followed by 17 percent of the respondent yearly investment is below Rs.30,000 to Rs. 50,000 and similarly on Rs. 30,000 to Rs. 50,000 and 13 percent of respondents spend to Rs. 10,000 to Rs. 30,000.

4.3.3 Analysis of problem faced while investing in Mutual fund

Table 4.9 depicts whether respondents have faced any kind of problem or not while investing in mutual fund.

Table 4.9 *Analysis of problem faced while investing in Mutual fund*

Problem faced	No. of Respondents	Percentage
Yes	69	69.0
No	31	31.0
Total	100	100

Source: Survey, 2021

The adjoining chart represents the statistical value for problems while faced or not while investing in mutual fund.

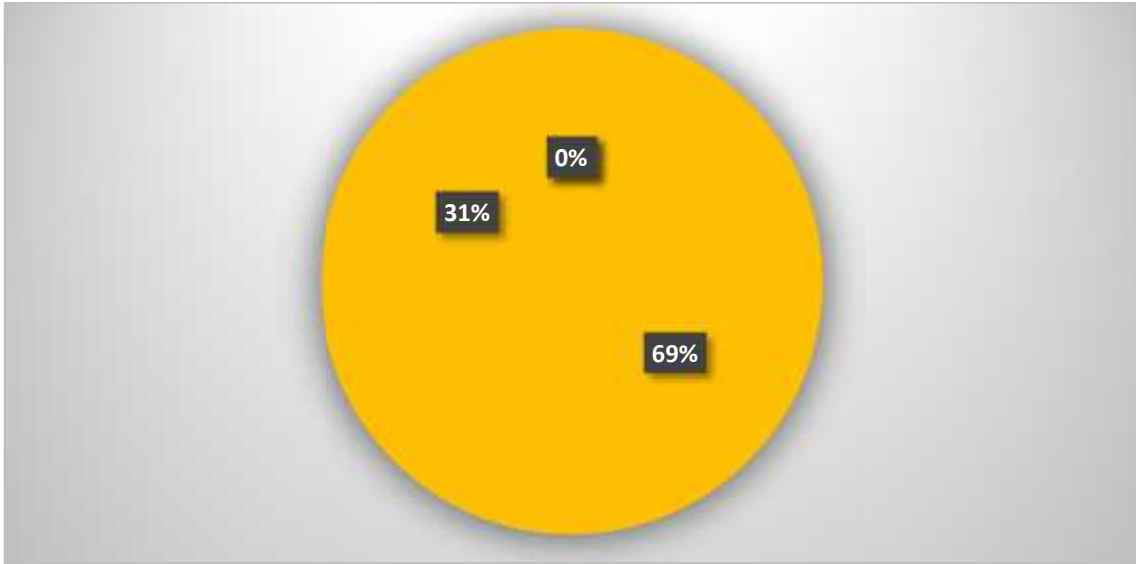


Figure 4.9: Problem faced while investing by respondents

Table 4.9 shows that 69 percent of respondents have faced problem while investing in mutual fund and remaining 31 percent respondents have not faced problem during the time of investment in mutual fund.

Table 4.10: *If yes, which kind of problem*

Table 4.10 depicts problem faced while investing in mutual fund by respondents.

Problem faced	No. of Respondents	Percentage
Unclear about allotment process of share	11	12.5
Unable to identify how much shares to get allotted	34	38.6
The long-time duration for listing in the secondary market	27	30.7
Unclear about the closed ended and open-ended fund	21	23.9
Total	88	69

Source: Survey, 2021

Table 4.10 shows that total 69 percent of respondents have faced problem while investing in mutual fund. Among 12.5 percentage of respondents are unclear about the allotment process of share, 38.6 percentage of respondents are unable to identify how much share get allotted meanwhile 30.7 percentage of respondents have faced the problem of long-time duration for listing in the secondary market and remaining 23.9 percentage of respondents are unclear about the closed ended and open-ended fund.

4.4 Descriptive analysis

This section deals with the descriptive analysis of data collected through the questionnaire during the research process. Collected data has been analyzed in terms of each variable's mean and standard deviation. Mean is used to establish the central representative value of the entire data set whereas standard deviation is used to measure the dispersion of the data set. The Likert scale ranged from 1 to 5 where 1 for Strongly Agree, 2 is for Agree, 3 is for Neutral, 4 is for Disagree and 5 is for Strongly Disagree. Therefore, the mean score that is more inclined towards 1 indicates a high impact of selected variables as on individual investment perception. The total number of respondents for this research was 100, their answers relating to each determinant and their descriptive statistics are presented below:

A. Fund Scheme

This section explores the descriptive analysis of investor consideration fund scheme while investing in mutual fund.

Table 4.11 *Descriptive statistics of fund scheme of mutual fund*

The table represents the descriptive statistics of the component of independent variable fund scheme. The descriptive statistics are analyzed to identify the impact of each fund scheme variable in making investment perception in mutual fund. The table shows the frequency, std. deviation and the mean of individual investor perception regarding fund scheme towards mutual fund in Nepal. The statement is measured in five-Likert scales 1 as strongly agree, 2 as agree, 3 as neutral, 4 as disagree and 5 as strongly disagree.

SN	Statement	N	Mean	SD
FS1	Prefer to invest in company with closed-ended fund rather than open-ended fund	100	2.090	0.6211
FS2	Prefer to take advice from financial planners to invest on selected fund schemes	100	2.140	1.0447
FS3	Prefer to invest on diversified Companies rather than single	100	2.190	0.9395
FS4	Prefer to invest in a company with high issuing no. of units	100	2.190	0.9067

Source: Survey, 2021

The above table 4.11 shows the average value of investor consideration of mutual fund issuing fund scheme (FS) while investing in mutual fund. Above table 4.12 shows there are four sub divisions of questions of firm's image that shows total no of the respondent, average mean and standard deviation. The statement "Prefer to invest in company with closed-ended fund rather than open-ended fund" has a mean 2.090 and standard deviation 0.6211 which shows respondents nearly agree towards it. The statement "Prefer to take advice from financial planners to invest on selected fund schemes" has a mean score of 2.140 and standard deviation of 1.0447 which explains respondents have high priority towards the statement and agreed the statement. The statement "Prefer to invest in diversified companies rather than single" has a mean score 2.190 and standard deviation of 0.9395 which shows the respondent's agreement towards it. "Prefer to invest in a company with high issuing no. of units has a mean score of 2.190 and standard deviation of 0.9067 which explains the respondents have positively towards the statement and agreed to it. Thus, the mean value of all four questions related to the fund scheme ranges from 2.090 to 2.190 which indicate certain consistency in the response of the statement.

B. Risk and Return

This section explores the descriptive analysis of investor consideration of risk and return of mutual fund while investing in mutual fund.

Table 4.12 *Descriptive analysis of risk and return of mutual fund*

The table represents the descriptive statistics of the component of independent variable risk and returns. The descriptive statistics are analyzed to identify the impact of each risk and return variable is making Investors' Perception in mutual fund. The table shows the frequency, std. deviation and mean of individual investor decision regarding risk and return towards mutual fund in Nepal. The statement is measured in five-point Likert scales, 1 as strongly agree, 2 as agree, 3 as neutral, 4 as disagree and 5 as strongly disagree.

SN	Statement	N	Mean	SD
RR1	Prefer to invest due to less risk than on share market	100	2.150	0.7571

RR2	Prefer to invest due to well diversified portfolio is subject to some volatility, where the portfolio will likely to have negative return in certain years	100	2.230	0.9625
RR3	Prefer to invest due to high return dividend payout on fixed maturity period	100	2.150	0.9143
RR4	Prefer to invest to fulfill my financial needs	100	2.320	0.9732

Source: Survey, 2021

The above table 4.12 shows average value of investor consideration of risk and return (RR) of mutual fund while investing in mutual fund. Above table 4.12 shows that In all total characteristics have its total respondents 100 that's N, the average mean ranges between 2.150 to 2.320 respectively and standard deviation of 0.7571 to 0.9732. The statement "Prefer to invest due to less risk than on share market" and "Prefer to invest due to well diversified portfolio is subject to some volatility, where the portfolio will likely to have negative return in certain years" have a mean score 2.150 and 2.230 respectively and standard deviation of 0.7571 and 0.9625 respectively which explains the respondents have agreement towards the statement and agreed the both statement. Explaining same for further statement "Prefer to invest due to high return dividend payout on fixed maturity period" has a mean score 2.150 and standard deviation of 0.9143 which shows the respondent have positivity towards the statement and they agreed with it. "Prefer to invest to fulfill my financial needs" has a higher mean score i.e. 2.320 and has a standard deviation of 0.9732, which explains the respondents have high positivity towards the statement and agreed the statement.

C. Descriptive analysis of Investor's level of knowledge

This section explores the Investor's level of knowledge of mutual fund while investing in mutual fund.

Table 4.13 *Descriptive analysis of investor's level of knowledge of mutual fund*

The table represents the descriptive statistics of the component of independent variable investor's level of knowledge. The descriptive statistics are analyzed to identify the impact of each investors level of knowledge in making Investors' Perception on mutual fund. The table shows the frequency, std. deviation and mean of individual investor

decision regarding level of knowledge while in mutual fund in Nepal. The statement is measured in five-point Likert scales. 1 as strongly agree, 2 as agree, 3 as neutral, 4 as disagree and 5 as strongly disagree.

SN	Statement	N	Mean	SD
LK1	Prefer to invest due to have awareness about all mutual fund schemes	100	2.090	0.7667
LK2	My Investors' Perception is influenced by the extensive investment knowledge: understand different investments and financial market	100	2.280	0.9110
LK3	My Investors' Perception is influenced by the information obtained from social sites	100	2.270	0.9935
LK4	Prefer to invest due to have information on previous investment experience	100	2.210	0.9671

Source: Survey, 2021

Table 4.13 reflects the descriptive statistics of an individual item relating to the level of knowledge (LR). The table shows the respondents opinions regarding the level of knowledge provided for mutual fund issued in Nepal.

The statement “Prefer to invest due to have awareness about all mutual fund schemes” has mean score 2.090 and standard deviation 0.7667 which shows the positive respondents have positively towards the statement and they agreed with it. “Investors’ Perception are influenced by the extensive investment knowledge: understand different investments and financial market” has a mean score 2.280 with standard deviation of 0.09110 which explains the respondents have less positivity to the statement among three statement. Similarly, Investors’ Perception are influenced by the information obtained from social sites” and “investment due to have information on previous investment experience” has mean score 2.270 and 2.210 meanwhile standard deviation is 0.9935 and 0.9671 respectively which explains the respondent have nearly positive towards the statement and they agree with it.

D. Investors' Perception in mutual fund

The section expresses the descriptive analysis of dependent variable Investors' Perception in mutual fund.

Table 4.14 *Descriptive analysis of Investors' Perception on mutual fund*

The table represents the descriptive statistics of the component of dependent variable Investors' Perception in mutual fund namely, fund scheme, risk and return and investors level of knowledge. The descriptive statics are analyzed to identify the impact of each variable in making investing decision in mutual fund. The statement is measured in five-point. 1 as strongly agree, 2 as agree, 3 as neutral, 4 as disagree and lastly 5 as strongly disagree.

SN	Statement	N	Mean	SD
ID1	I consider fund scheme for taking investment decision	100	2.040	1.0629
ID2	I consider risk and return for taking investment decision.	100	2.140	0.9951
ID3	I consider investors level of knowledge for taking Investment decision	100	2.010	0.9481

Source: Survey, 2021

The table 4.14 shows the descriptive statistics of an individual item and as a whole of investor investment perception in mutual fund. The table shows the respondents' perceived rating towards investor investment perception on mutual fund. Respondents were asked about all the information related to the factors that have impact on investors' investing decision in mutual fund. Mean of the all statements are around 2. Among all three statements, the statement "I consider fund scheme for taking investment decision" has the mean 2.040 with standard deviation 1.0629, while the "I consider risk and return for taking investment decision" has mean with 2.140 with standard deviation of 0.9951 and lastly "I consider investors level of knowledge for taking investment decision" has mean value 2.010 with its standard deviation of 0.9481.

4.4.1 Correlation analysis

Analysis of Pearson's correlation has been executed to examine the degree of relationship between two or more variables and to find what extent variable under the study are correlated to each other. A positive correlation reveals that the direction of relationship is positive with one increasing in relation to the other increase. Whereas, a negative correlation reveals that an inverse of the above i.e. increase in one variable when there is decrease in other. More precisely, it shows the correlation coefficient of dependent and independent variables for Investors' Perception in mutual fund. The correlation coefficient is usually ranging from -1 to +1. A correlation coefficient nearer to plus 1 shows a positive relationship between the two variables. With increase in one of variables being associated with increase in other variable. A correlation coefficient closes to -1 means the negative relationship between two variables with a rise in one of variables being associated with decrease in other variable.

The correlation analysis of the dependent variable's Investors' Perception in mutual fund with regard to independent variables fund scheme, risk and return and investors' level of knowledge. Have been carried out on the following table 4.15.

The following table present the Pearson Correlation analysis between the variables taken under study. The table shows the correlation between dependent and independent variables as well as among independent variables.

Table 4.15 *Correlation analysis of Investors' Perception and independent variables*

	Fund Scheme	Risk and Return	Investors level of knowledge	Investment Perception
Fund Scheme	1	0.522**	0.504**	0.179
Risk and Return		1	0.585**	0.307**
Investors level of knowledge			1	0.393**

Investors' Perception				1
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**Correlation is significant at 0.01 level (2-tailed).

Source: Survey, 20021

The table 4.15 reflects the result of the Pearson's correlation coefficient between Investors' Perception on mutual fund and the independent variable taken under study. The result shows all independent variables have positive and significant relationship with the dependent variable at significance level of 1 percent.

The highest correlation of Investors' Perception is observed as 0.393 with the investors level of knowledge followed by the risk and return 0.307 and correlation value of fund scheme is 0.179. The least correlated factor is 0.179.

The correlation value is observed as 0.393 between investors level of knowledge and investment decision. It means there is a positive association in between these variables. The relationship is significant at one percent level of significance.

The correlation coefficient between Investors' Perception in mutual fund and risk and return is 0.307 leads to increase in Investors' Perception in mutual fund. It shows positive relationship between these two variables. There is a significant relationship between Investors' Perception in mutual fund and risk and returns variable at 1 percent level of significance.

The correlation coefficient between the Investors' Perception and fund scheme variable is 0.179, which suggest fund scheme leads to increase in Investors' Perception in mutual fund. It shows positive relationship between these two variables. There is significant relationship between Investors' Perception in mutual fund and fund scheme variable at 1 percent level of significance.

4.4.2 Multicollinearity

Multicollinearity occurs when the regression model includes several variables that are significantly correlated not only with the dependent variable but also to each other. To check the multicollinearity between the Investors' Perception in mutual fund, a test between independent variables was performed to identify tolerance values and variance inflation factors (VIF) with the help of SPSS which is shown below in the table 4.16

Table 4.16 *Collinearity Statistics (Coefficients)*

Model	Tolerance	VIF
Fund scheme	0.667	1.500
Risk and return	0.589	1.698
Investors' level of knowledge	0.604	1.656

a. Dependent Variable: Investors' perception

Source: Survey, 2021

The result in table 4.16 shows that variance inflation factor (VIF) value for all variables is below 5. Similarly, tolerance value for all variables is higher than 0.2 the research standard for tolerance is greater than 0.2 (Tolerance>0.2) whereas for variance inflation factor is less than 5 (VIF<5). Based on the research standard, the multicollinearity problem does not exist in this study because the value of tolerance and the value of variance inflation factors are well within accepted margin.

4.4.3 Regression Analysis

The regression analysis has been analyzed to find the variables and significance of the independent variables on the dependent variable. As a part of the study regression analysis has been performed on the data collected through survey. The dependent variable for the study was Investors' Perception in mutual fund whereas, the independent variables were fund schemes, risk and return and investor's level of knowledge. Table 4.18 represents the analysis of regression of relationship between independent variable and dependent variable as per the data obtained from 100 respondents. The following linear regression model was used.

Model without intervening variables:

$$IP = \beta_0 + \beta_1 FS + \beta_2 RR + \beta_3 LK + e$$

Where,

* = Intercept

IP= Investors' Perception on mutual fund

FS= Fund scheme

RR= Risk and return

LK= Investors' level of knowledge

e= error term

Table 4.17

Model Summary

The following table presents the model summary of dependent variable among independent variables taken under the study. It compares the sign with prior expectation which also helps in regression analysis.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.408 ^a	.167	.141	.50021

a. Predictors: (Constant), Fund Scheme, Risk and return and Investor's level of knowledge

Source: Survey, 2021

In the table 4.17 the value of R square is 0.167. It indicates that 16.7% of the variation in the dependent variable i.e. Investors' Perception on mutual fund can be explained by the independent variables they are fund scheme, risk and return and investor's level of knowledge. Where R is 0.408, adjusted R square is 0.141 and Standard error of the estimate is 0.50021.

Table 4.18 ANOVA

The following table presents the regression, residual and total of dependent and independent variables taken under the study.

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	167.34	3	27.541	136.397	0.000b
1 Residual	64.020	167	0.250		
	218.821				

Total		189			
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Source: Survey, 2021

- a. Dependent Variable: Investors' Perception on mutual fund
- b. Predictors: (Constant), Fund Schemes, Risk and return and Investor's level of knowledge

According to table 4.18 the fitness of the model is stated by F- value of 136.397 at 0.000 percent level of significance. This implies that the research model is a good fit in the explaining the Investors' Perception on mutual fund.

Table 4.19 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.172	.112		4.336	.000
	Fund Scheme	.084	.041	.147	1.432	.065
	Risk and return	.075	.034	.204	2.687	.022
	Investor's level of knowledge	.311	.108	.345	2.874	.005
		.				

Source: Survey, 2021

- a. Dependent Variable: Investors' Perception on mutual fund

4.4.4 Regression Analysis

The result from the table 4.19 represents the regression analysis which can be used to from an equation by referring to B value in the table that are statistically significant in determining the impact of every independent variable on dependent variable. The finding shows that independent variables risk and return and investors level of knowledge have a P value of less than 0.05. Hence, these variables are statistically significant at 5 percent level of significance. Therefore, it can be concluded that risk and return and investors level of knowledge all have positive and significant relationship with Investors'

Perception in mutual fund. However, variable has a P value more than 0.05. Hence, it is statistically insignificant and not used in the following equation.

Based on the result of regression analysis the equation with the statistically significant variable is:

$$IP = 0.172 + 0.84 * FS + 0.075 * RR + 0.0311 * LK$$

Where, IP represents Investors' Perception in mutual fund, FS is fund image, RR is risk and return and LK is investors level of knowledge.

The result of the regression analysis showed that risk and return and investor's level of knowledge has less value than alpha 5% significance level. These mentioned have a positive significant relation with Investors' Perception in mutual fund. However fund scheme has 0.147 beta value only at significance level of more than 5%, hence it is considered as insignificant ($0.084 > 0.050$). There is a significant impact of investor's level of knowledge on Investors' Perception on mutual fund because its beta value is higher i.e. 0.311. Thus, higher the beta the most important factors of influence for Investors' Perception on mutual fund.

4.4.5 Hypothesis Testing

On the basis of the above findings, from the opinion survey of the respondents following conclusion regarding the hypothesis have been derived.

Table 4.20 *Summary of Hypothesis*

The following table presents the results of hypotheses taken under the study. It compares the value of dependent and independent variables with methods used from correlation and regression analysis.

S.N.	Hypothesis	Model Used	Outcome
H1	There is significant relationship between fund scheme and investor's Investment Perception on mutual fund	Correlation and Regression	Rejected
H2	There is significant relationship between risk and return and investor's Investment Perception on	Correlation and Regression	Accepted

	mutual fund		
H3	There is significant relationship between investor's level of knowledge and investor's Investment Perception on mutual fund.	Correlation and Regression	Accepted

Correlation and regression have been used to test the hypotheses.

H1: Fund scheme has a P-value of more than 0.05 ($0.05 < 0.065$). Hence, this variable is statistically insignificant at 5 percent level of significance. Therefore, it can be concluded that is statistically insignificant with Investors' Perception in mutual fund. So, fund scheme is rejected in its outcome.

H2: Risk and return has a P-value of less than 0.05 ($0.05 > 0.22$). hence, this variable is statistically significant at 5 percent level of significance. Therefore, it can be concluded that is statistically significant with Investors' Perception in mutual fund. So, risk and return are accepted in its outcome.

H3: Investor's level of knowledge has a P-value less than 0.05 ($0.05 > 0.005$). hence, this variable is statistically significant at 5 percent level of significance. Therefore, it can be concluded that is statistically significant with Investors' Perception in mutual fund. So, investor's level of knowledge is accepted in its outcome.

4.5 Major Findings

In this section, the general result oriented from the study conducted is presented by supporting the result with the presented by supporting the result with the previous studies in this area. This undertaken with preference of the results obtained from the analysis made in the previous sections examine Investors' Perception towards mutual fund in Kathmandu valley.

Demographic factors such as gender, age, education, occupation and income level are used to know the general characteristics of respondents. The research used 70% of male, 30% female in gender under the study willing to provide the information and views towards the research objective. The respondents profile analysis showed that there are

more male respondents in this study. Age of the respondents can have big impact on their views and reaction regarding investment in mutual fund. In terms of age, the majority of respondents are in between 25-35 years which accounted 40 percent followed by 35-45 years which constituted 31 percent. The study shows that younger generations are attracting towards the mutual fund investment in Nepal.

The level of education is among the factors which influence respondents' level of knowledge, judgement and thinking capacity so education level is considered while conducting the study. It is found that maximum numbers of investors are graduated i.e. 58 percent. Occupational status influences the investment perception. Majority of the respondents i.e. 41 percent are in service sector. Their views greatly indicate the influencing factor for the study. The level of income also affects the investment perception. It is found that majority of the respondents i.e. 57 percent have the income level above Rs. 50,000.

It is found that majority of the respondents (45 percent) started investing in mutual fund 3-7 years and the majority of investors (53 percent) invest above 500,00 in mutual fund per year. This indicates that the majority of the mutual fund investors are new in primary market of Nepal. During the study respondents were asked if they have faced any problem while investing in mutual fund. It is found from survey that 31 percent of respondents did not face any problem while investing in mutual fund and 69 percent has agreed on that they had faced problem while investing in mutual fund. Among 69 percent of respondents', the majority of respondents has faced problem regarding unable to identify how much share to be applied to get allotted.

Descriptive statistics and correlation coefficients methods have been applied to analyze the relationship between dependent and independent variables. It is found that the investor's level of knowledge is positively related and has the highest correlation coefficient with Investors' Perception and the relationship is significant. It means that the investors are highly influence with their level of knowledge of information regarding mutual fund, information obtained through social sites, and opinion of family and friend. Likewise, it is found that fund scheme factor is negatively related with the Investors' Perception and the relationship is insignificant.

4.6 Discussion

The result of study is similar with the study conducted by (Kadariya, 2012) which shows the proportion of educated investor are high in the market, most of them are employed, limited investors show their own skills rather than believes in market noise and informal talks likewise our results show consultation as most affecting factor among others. But contradicts that investors prefer capital gain while making Investment Perception as the study result shows negative relation with fund scheme.

The result of the study contradicts with findings of the study conducted by(Joshi, 2013) which confirmed that investors' trust in recommendation of brokers is very limited which indicates that investors are aware that the stock brokers might manipulate them if they blindly trust on their recommendation while making the decision for investment.

Reddy (2016) described the perception of individual investors towards the performance of mutual funds and his analysis reveals that the demographic profile of investors has a significant impact on the investors decision related to investments and particularly mutual fund investment. Most of the respondent prefer bank deposited followed by equity shares. The investors are interested to invest in mutual fund based on a combination of return, safety, liquidity, profitability, and tax benefits provided by the schemes. Bajracharya(2016) has explained about the Mutual Fund Performance in Nepalese Mutual fund units and analyzed mutual funds have not performed better than the benchmark indicators. Some funds have performed better than benchmark of its systematic risk but with respect to volatility majority of funds have not performed better. Samples are highly diversified because of their high diversification they have reduced total risk of portfolio whereas, other mutual funds have low diversified portfolio and have more risk.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter presents the conclusion and implications part of the study which is based on the research findings of the study. The research data, results obtained their interpretations and findings have led to this section of the reports. The conclusion and implications part have been presented separately as follows:

5.1 Summary

The major purpose of the study is to identify the investors' perception towards mutual fund in Nepal. There can be many factors that affect the interest of the investors while investing in primary market. This research tries to find the preference of the investors regarding investment in mutual fund and the main focus of the study is on the factors influencing the Investors' Perception of general investors in primary market of Nepal. This research study has explained theoretical review and different literature review related to mutual fund.

The study aimed to provide a descriptive analysis of all the variables used, under the present context. Primary data for the study was collected from mutual fund investors of Kathmandu Valley through structured questionnaire. The questionnaire was distributed to 111 respondents, out of which 11 respondents had missing information. Pearson correlation and regression analysis were conducted to identify the relationship between independent variable (fund scheme, risk and return and investor's level of knowledge) and dependent variable (Investors' Perception in mutual fund). SPSS 23 was used to find the result of the data analysis and interpretation.

Under regression analysis, the regression model that investor's level of knowledge variable has positive significant impact on Investors' Perception in mutual fund whereas fund scheme has no impact on Investors' Perception in mutual fund. This means investors are more concerned about these factors while making Investment Perception in mutual fund.

The conclusion drawn by this research is that investor's level of knowledge is found to be strong variable on Investors' Perception in mutual fund among fund scheme and risk and return. However, a significant finding from the study is that the majority of the respondents like their level of knowledge from the stock brokers, family and friend while making Investment Perception in mutual fund. The conclusions are provided after interpreting and analyzing the collected data through primary sources. This study has some limitations and to overcome this, a further research can be done by including more specific factors.

5.2 Conclusion

Investments are made to earn good returns in future. Investors have a different perspective when they decide about investing in a certain avenue. Every investors desire to secure their savings. Decision depends upon self-judgement in context to individual decision of any investor. Investors' perception of every individual varies depending upon their ability to bear risk. The implementation perception of investors could be affected with diverse variables.

This study focuses to identify and examine different factors influencing investor's investment perception. With an aim to show the relationship among the variables the study has set the objective to determine the Investors' Perception on mutual fund. It has reviewed both the theoretical as well as empirical research related to the study. The study has used the primary data which were collected from Nepali mutual fund investors. The result obtained is all about what the facts says about the topic "Investors' Perception towards mutual fund in Nepal". All together there are three independent variables (fund scheme, risk and return and investor's level of knowledge) and one dependent variable i.e. Investors' Perception in mutual fund. The findings of the present study reveal positive significant relationship between risk return and investor's level of knowledge. The study did not find any evidence on relationship between fund scheme.

The questionnaire was prepared and distributed to the respondents both online and in the form of hard copy. The questionnaire contained total of 24 questions of mixed type opinion such as personal information, investment profile, close-end multiple choice and

five-point Likert scales items. Out of 111 respondents, 11 responses were excluded because some of the questionnaire had missing data and some respondents did not respond to the distributed questionnaire. So data from 100 respondents were taken under consideration and analyzed through frequency distribution, descriptive analysis, correlation analysis and regression analysis using SPSS 23 software.

The study result is dominated by the male respondents belonging to age group between 25- 35 years and their investment experience in mutual fund is less than 3 years. To some extent these factors are influenced by the demographic's aspects of the individual. The relationship between the independent and dependent variable was influenced by the moderating variables. Also, the study reveals that many mutual fund investors in Nepal are younger and new in the primary market. Investor's level of knowledge variable has maximum impact on investing decision in mutual fund. It can be said that mutual fund investors in Nepal is influenced by the opinion of family and friend. Similarly, Investors are making Investors' Perception as recommend by the stock brokers. Also, investors make Investment Perception as believed by the information obtained through social sites.

Hence it can be concluded that investors considered various factor while developing investment perception in mutual fund. The Investors' Perception is greatly affected by the investors' level of knowledge with any share broker, opinion of family member and friend, information obtained through any social sites or information obtained through underwriting company. Similarly, risk and return given to the mutual fund also have an important role in influencing Investors' Perception. The remaining factor i.e. fund scheme tends to have negative relations with investment perception.

5.3 Implications

This study has important implication, as it shows significant relation of fund scheme, risk and return and investor's level of knowledge with Investors' investment Perception in mutual fund. These results are useful in providing implications for various parties.

As per study 69% of the respondents find difficult while investing in mutual fund. The analysis indicates that the respondents faced problem such as unclear about allotment process of share of mutual fund, unable to identify how much share need to be applied to

get allotment and the long-time duration for listing in secondary market, and unclear about the schemes open-ended fund and closed-ended fund. Hence, it is very important as mutual fund issuing company, regulatory bodies and merchant bankers should be aware about what can be done to develop strategies accordingly to develop efficient market to the investors so that these kinds of problems faced by investors would be solved and the development process and public interest goes in parallel way.

The mutual fund issuing company should focus more about market survey and investors' perception regarding the fund scheme, risk and return of mutual fund and investor's level of knowledge of mutual fund with expertise while applying in mutual fund should be taken into consideration while issuing mutual fund in the market. The study unveils that majority of investors are influenced by the recommendation of the stock brokers, information obtained through social sites and opinion of family and friend. Hence, company should maintain good relationship with brokers and create faith in them about organization and provide proper information about the company in social sites as well. Other factors like past performance and financial position of the company, risk and return are also considered before investing in mutual fund. Therefore, companies should focus on these factors as well while issuing the shares to the public.

SEBON should develop the various policies and program for making the primary market more stable and perfect. They should duly monitor and supervise the primary market to avoid inappropriate market movement. They should spend and promote more on technology to make the primary market more efficient and hassle free. Moreover, it is also important to induce more market participants by educating and creating investor awareness program in order to help investor to make their investment safe. The investors also should look into the variables which make a company fundamentally strong before taking any investment decisions. An investor should not have herd mentality and should invest into mutual fund only when he is satisfied with working and financial strength, future prospects and risk factor of the company before subscribing to a mutual fund.

There are only 100 respondents from the sample size in research. The research area is confined towards Kathmandu valley only. Future research can be conducted with larger

sample size involving investors from outside the Kathmandu valley to better represent the opinion of maximum investors and bring more accuracy in data analysis. Researcher used self-administered questionnaire for collecting required data. Future researchers can redesign the questions of questionnaire to better suit their research objective.

There are only three independent variables tested to find relationship with Investors' Perception in mutual fund in this study. Future researchers can include other more variables to get better research outcomes. There is still room for research as attraction towards mutual fund investment is gaining improvements among Nepali investors. So, future researchers should study these changes introduced with time, identify them, and conduct research with bigger sample size and newer variables as well.

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APPENDICES

APPENDIX: QUESTIONNAIRE

Dear Respondents,

I am Saroj Niraula, MBS student of Central Department of Management. As a part of my Research Project Report, I am conducting a survey on “Investors’ Perception towards Mutual Fund in Nepal”. This information collected shall be used solely for academic purposes only and strict confidentiality is assured. You are requested to fill up the following questionnaires and help me in collecting the information which is needed for my academic research. Thank you for your cooperation.

Group A

Demographic profile of respondents

1. Name (optional).....

Please put a tick () mark in the space provided or fill according to the specific instruction given.

2. Gender

Male

Female

3. Age

Upto 25-35 years

35-45 years

45-55 years

Above 55 years

4. Education

Upto +2

Under Graduate

Graduate

Post Graduate

5. Occupation

Student

Service

Business

Retired/self-employed

6. Income level (monthly)

UptoRs 10,000

Rs 31,000 to Rs 50,000

Rs 11,000 to Rs 30,000

Above 50,000

7. How long have you been investing in Mutual Fund?

Less than 3 years

7-10 years

3-6 years

more than 10 years

8. How much do you invest in Mutual Fund per year

Below 10,000

10,000 to 30,000

30,000 to 50,000

Above50,000

9. Have you felt any problem while investing in Mutual fund?

Yes

No

10. If yes, what kind of problem? (you can choose more than one option)

Unclear about allotment process of mutual fund

Unable to identify how much share to be applied to get allotted

The long-time duration for listing in the secondary market



Please tick (✓) mark the answer based on the following scale:

1= Strongly agree 2= Agree 3= neutral 4= Disagree 5= Strongly disagree

Fund Scheme

Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly disagree (5)
Prefer to invest in company with closed-ended fund rather than open-ended fund					
Prefer to take Advice from financial planners to invest on selected fund schemes					
Prefer to invest on diversified Companies rather than single					
Prefer to invest in a company with high issuing no. of units					

Risk and Return

Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
Prefer to invest due to less risk than on Share market					
Prefer to invest due to well diversified portfolio is subject to some volatility, where the portfolio will likely to have negative return in certain years					
Prefer to invest due to high return					

dividend payout on fixed maturity period					
Prefer to invest to fulfill my financial needs					

Investor's level of knowledge

Statement	Strongly agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
Prefer to invest due to have awareness about all mutual fund schemes					
My Investment perceptions are influenced by the extensive investment knowledge: understand different investments and financial market					
My Investment Perception are influenced by the information obtained from social sites					
Prefer to invest due to have information on previous investment experience					

Investors' Perception

Statement	Strongly agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
I consider fund scheme for investment decision					
I consider risk and return for investment decision					
I consider my level of knowledge for investment decision					