CHAPTER-1

INTRODUCTION

1.1 Background of the Study:

The world has changed a lot due to globalization, privatization and liberalization. There is high competition among the product produced in different countries nowadays with global market concepts.

Even if, being surrounded by the two economic superpowers of the world, China and India, Nepal is one of the least of least developed countries in the world. Majority of the population lies below the poverty line. The agro- dominated economy is further worsened by complex geographical situation. Various factors like landlocked situation, poor resource mobilization, lack of entrepreneurship, lack of institutional commitment, erratic government policies, political instability etc are responsible for the slow pace of development in Nepal.

The ultimate objective of all economic activities is to promote the wellbeing and the standard living of the people in an economy, which eventually depends on the increased, production and equitable distribution of goods and services in the economy. Financial inputs like cash, credit and capital are some of the basic inputs required for greater and efficient production which in turn is provided by the financial system of the country. This financial system consists of financial intermediaries which use various financial instruments in the financial market. Since the past years in Nepal, Intermediaries activities of commercial banks and finance companies have dominated the money market and the credit market. Some of these institutions involved in the capital market raise funds for the industries and business organizations through the issue of long term securities such as equity share, debenture where transaction of these securities take place.

Mutual funds are financial intermediaries who collect the saving of small investors and invest them in a large and well diversified portfolio of securities. Such portfolio of securities is money market instruments, corporate and government bonds and equity

shares of joint stock companies. A Mutual fund is a pool of commingle funds invested by different investors who have to contact with each other small investor generally do not have adequate time, expert knowledge, experience and resources for directly accessing the capital market. So, small investors must have to rely on an intermediary which undertakes informed investment decision and provides the consequential benefits of profession expertise.

"Mutual funds are firms that manage pools of other people's money. Individuals buy shares of mutual funds and the funds invest he money in certain specified types of assets (e.g. common stock, tax exempt bonds and mortgages) The shares issued to the investors entitle them to a private portion of the income generated by these assets" *(Bodie, Kane and Marcus, 1999:143).*

1.1.1 Development of Mutual fund in Nepal

The marketing situation in Nepal is not satisfactory. The development of capital market is not smooth. The experience has shown that the growth of capital is positively favorable but problems have copped at present due to the lack of active institutional intermediaries.

The development of capital market is very essential for the development of the national economy. Developed economy also demands the capital market development. These two are interrelated. The development of the people living in the society also depends upon the development of the capital market. These three cannot be separated from each other.

Present stock markets are on a downslide and fund managers are finding it extremely difficult to make investment decisions. In a thinly and traded and volatile market, it is hampered by dearth of floating stock and limited by slow supplying of fresh equity. A few institutional players with huge fund at their back and call can normally dictate terms and prices in the market place. Nepalese capital market is also not the exception from this fact. Therefore, initiating new schemes should protect small investors. Mutual fund scheme is also a newly introduces phenomenon to help the small investors *(Gautam, 1995:20).*

In the development of capital market, the mobilization of fund through the mutual fund scheme has been started for the first time in Nepal by NIDC capital market. The scheme has been named NCM first Mutual fund 2050 for which NIDC capital market is to be appreciated. A brief description of NCM fund is presented in the following section.

1.1.2 Features of the NIDC's NCM Mutual Fund - 2059

NMC first mutual fund is NIDC capital markets Ltd's first offer for the investors who have been looking forward to derive handsome returns over the period of time from the capital markets out to their investments is mainly equity oriented growth scheme. It is in response to the needs of such investors that NIDC Capital Markets is presenting its first scheme called NMC mutual fund. NCM Mutual Fund was floated in 2059 (2002). The major features of the NCM Mutual Fund 2059 are as follows.

-) It is a closed-end type of fund of Rs. 100 million, divided into 10 million units of Rs. 10 face value.
-) The term of the scheme is 10 years.
-) The trustee organization (NIDC) and the manager of the fund (NIDC capital markets) have invested 15 percent of the total fund as seed money.
-) The fund has guaranteed at least 5 percent return on the face value of subscribed units.
-) The units have been listed in Nepal stock Exchange and its price is determined in the exchange through the interaction of market forces.
-) The general investments policies of the fund are:
  - ✓ The investment of the fund on shares and debentures will be made on financially sound listed companies.
  - ✓ The investment on securities of one company will be limited to 10 percent of the paid up capital of that company.
  - ✓ The investment in any organization or company will not exceed by 10 percent of the total assets of the fund.
  - ✓ The scheme would invest in the followings areas.
    - Government or Government guaranteed securities.
    - Shares (equity as well as preference)
    - Debentures

- Bonds and term loans

(The Maximum limit of shares, debentures and term loans is 65 percent, 15 percent, and 20 percent respectively.)

1.2 Focus of the Study

Main focus of this study is to find out general idea about Mutual fund investment. The study has also focused on overall performance of the Fund. To know the general idea and practice of Mutual fund in Nepal and performance of the Mutual fund in current status is aimed to achieve from this study. By doing these we can find out whether investing in share is better or in fund from market point of view and know why people are not showing interest towards Mutual funds.

1.3 Statement of the problem

NIDC capital market collects small saving from small mutual funds schemes and citizen investment trust collects money from citizen unit scheme. These companies invest the money to various portfolios ranging from short term to mid term and long term. However these companies also suffering from various problems. The first is purely because of the present security situation of Nepal. This has contributed to disturb the prosperity of industries as well as mutual funds companies. Since the industrialization is low, these companies are lacking the investment opportunities, more over; lack of knowledge of people about mutual funds companies is hindering the progress of both the people and the companies. These companies are not flourishing. So far also due to the poor economic situation of Nepal and irrationality of people in Nepal.

In spite of the growth in securities market and the various advantages of mutual funds, the success of mutual fund is not noticeable in the country, while on over subscription in case of primary issues as well as surging NEPSE Index, on the other hand, the number of transaction of mutual fund is alarming low.

The purpose of this study is to find out the basic reason as to why investors are shying away from mutual fund. Why it has not been as successful as its counterparts in India or

in developed country. Also the study would try to figure out the performances of the funds manager.

A very important fact that should not be forgotten is the concept of market efficiency. A market is said to be efficient when the value of the securities equals to its price. In other words an efficient financial market exists when securities prices reflect all available about the economy's financial markets and the specific company involved. The implication is that the market price does not represent their intrinsic values. An efficient market is characterized by lack of information or that information is in accessible to the investors, security market in Nepal can not be regarded as an efficient market and as a result the outcomes of this research work may not comply with the countries having highly efficient financial markets such as the United States.

1.4 Objectives of the Study

Nepal Industrial Development Corporation NCM Mutual Fund 2059 was launched with the objective of providing investors and opportunity for a secure investment. It has 1, 00, 00,000 units of Rs. 10 each. Hence investors can buy and sell Mutual Fund units at Nepal Stock Exchange like any other share. Investors will be guaranteed a minimum of 5% dividend on the basis of the number of units held by them. Furthermore, the net assets value (NAV) is calculated on a monthly basis thereby providing the investors and opportunity for capital gain in the long run.

The main objectives of the study is to find out the current financial position of two mutual funds companies in Nepal via NIDC capital market and citizen investment trust. Similarly this study tries to find out the prospects and problems facing by these two companies. More over, this thesis is focused find out following given objectives:
  ❖ To assess the general ideas & practices of Mutual fund in Nepal.
  ❖ To assess the effectiveness of awareness program of concerned agencies.
  ❖ To assess the general business environment for Mutual fund system in Nepal.
  ❖ To provide feedback to the policy makers and executive working in various sectors related to it.

1.5 Importance of the study

Investment in stock market play crucial role in financial sector of an economy. It can effect the whole economy situation of a nation. Stock markets being one of the prominent sources of economic development, utility its potential investors are the biggest assets. This study has tried to analyze the financial aspects of mutual funds companies can be clarified with the help of this study.

This study no doubt will have importance to various groups but in particular is directed to a certain groups of people/ organization, which are;

-) Importance to investor
-) Importance to management bodies of the mutual fund
-) Importance to the government bodies or the policy maker such as the security board.

This study is not only to fulfill T.U's courses of MBS but also to provide same knowledge about the Nepalese stock market development to them who are really interesting about it.

1.6 Limitation of the Study

This study has been carried out within certain limitations which are as follows:

-) This study is based on the assumption that all the data provided to researcher are true and reliable.
-) The study covered only five years data.
-) This study is confined only two investment company operating in Nepal i.e. NIDC capital market and CIT.
-) The interviewers while doing survey are assumed that they have not any biasness with the researchers.
-) This study may not concentrate on each and every aspects of the CIT and NIDC capital market and will only consist on financial segments of them.

1.7 Organization of the Study

The study has been organized in to five different chapters. They are as follows:

1. Introduction

This introduction chapter contains the introduction part of the study, objectives of the study, statement of the problem, significance of the study, limitation of the study etc.

2. Review of Literature

The second chapter consists of the review of the available literature about the mutual fund as well as citizen investment trust and NIDC Capital Market.

3. Research Methodology

The third chapter is research methodology consisting of research methodology, research design, nature of data, procedures of data collection.

4. Presentation and Analysis of Data

Under this chapter the analysis and interpretation of data has been presented.

5. Summary, Conclusion and Recommendations

This is the final chapter which summarizes the main conclusion of the previous chapter and offers suggestions for the improvement.

CHAPTER-2

REVIEW OF LITERATURE

The Review of literature is a crucial aspect of planning of the study. This chapter highlights upon the existing literature and research studies about related mutual fund performance and risk and return of different concept. Several books, dissertation, research papers, reports and articles published in journals and newspapers are reviewed while preparing the review. It is divided into two headings; Conceptual frame work and review of different studies. The primary purpose of literature review is to learn not to accumulate. It enables the researcher to know. *(Wolff and Pant, 2005:29)*

- What Research has been done in the subject?
- What others have been done in the study?
- What theories have been advanced?
- The approach taken by the other researchers.
- Area of agreement or disagreement.
- Whether there are gaps that can fill through the proposed research?

2.1 Theoretical Framework

This section deals about the concept of capital market, types of mutual fund, service provided by mutual fund, classification of mutual fund, expenses of mutual fund etc. Mutual fund is the components of capital market so; I have to explain the general concept of capital market.

2.2 Concept of capital market

Capital market is that segment of the financial market in which long-term corporate securities are bought and sold and their prices are determine by the interaction of the demand and supply of these securities . The market consists of a number of players or participants such as issuers, investors, and a host of intermediaries who bring the assure two parties together for the buying and selling of various instruments like, equity share, preference share, debenture etc. the market for these kind of securities widen if there is an proportional increase in the number of participants [issues and the intermediaries]

Otherwise it remains small, similarly deepening of these markets refers to an increase in the instruments traded in the market. A developed market which wide and fairly deep. Thus ensuring the stability of prices with reference to its fluctuations and keeping the volatile nature of this market under control.

 "Capital markets are the markets for long –term debt and corporate stocks. The New York sock exchange , where , the stocks of the largest U.S corporations are traded , is a prime example of capital Marks (9th edition of Brigham). There is no hard and fast rule on this, but when describing debt market "short term" generally means less than one year, "intermediate term" means one to five years and "long-term" means more than five years.

The main objective of capital market is to create opportunity for maximum number of people to get benefit from the return obtained by directing the economy towards the productive sector by mobilizing the long term capital (9th plan, NPC). Companies raise long-term fund from the capital markets. Securities will be fairly priced in the Capital Market if they are efficient.

Capital market facilitates the buying and selling of securities, such as shares and bonds. They perform two valuable functions; liquidity and pricing securities" *(Pandey, 1973:120)*

"Liquidity means the convenience and speed of transforming assets into cash, or transforming assets from one person to another without any loss of value." Therefore it proves that the capital market provide many opportunities to the investor *(Pandey, 1973:122)*.

Capital markets are the market for long-term debt and corporate stock. Primary markets are the markets in which corporation & raise new capital. Secondary markets are markets in which existing, already outstanding securities are traded among investor.

Instruments of capital markets

➢ U.S. treasury notes and bonds (2-30yrs)

➢ Corporate Bonds (up to 40yrs)

➢ Mar gages and state and local government bonds (up o 30 yrs)

➢ Preferred and common stocks (unlimited) (Brigham, 1990).

"Capital markets are the markets for long-term debt and for equity share" (Stephen Ross, 3rd edition) while funds are known as capital markets, where as securities with a maturity of more than one year called Capital Market securities.

The capital market is basically divided into two parts, namely the primary market where the initially floated shares are traded ensuring liquidity to the investors in the primary market. In the primary market offering of new securities can be done numerous ways such as public issues to investors at large, through right issue to existing share holders, through private placement with large institutional investors in way of mutual funds, insurance funds and other similar funds, the capital market of any country is the main driving force to the economic development of the country *(Sharma, 2056).*

Capital market is an important nexus between the savings and the investment of an economy, thus playing a crucial role in the industrialization of the economy. It has been almost 20 years since a sincere originated effort was initiated in Nepal to develop the capital market. Though not fully matured, the capital market in Nepal is steadily emerging as an important means for the mobilization of private savings for industrial investment.

Bearing in mind the invaluable contribution of the capital market in the overall development of the country, the government of Nepal initiated the first step in this avenue by forming the "Securities Exchange Center" in the year back then due to the lack of knowledge about securities exchange, only a few companies shares floated in the public and an insignificant number of transactions took place in the secondary market.

The primary role played by securities market and specially the stock exchange is allocating the economy's capital stock among various firm and industries that require investment for production decisions. The stock exchange also encourages saving, helps channel saving into productive investment and encourages entrepreneurs to improve the efficiency of investment. As a result of the development of securities market, new opportunities for investors have opened up. One of most prominent form in the Investment Company (the

most popular form of which is the mutual fund) is simply a corporation that invests in marketable securities and other categories of investments such as real asset.

The development of capital market, as well as economic development of the country, it is necessary to develop the mutual funds companies, which have to provide large capital. Mutual funds can be classified into equity funds growth funds income funds, real estate funds, off shore funds, leveraged funds and hedge funds. The nature of operation of mutual funds scheme must be listed on the stock exchange for dealing in the secondary market. The major types of mutual funds are the closed-end funds and the open-end funds. The open-end mutual funds are characterized by the continual selling and redeeming of unit shares. We can say in other words those mutual funds that do not have a fixed capitalization.

2.2.1 Concept of Mutual fund

"A mutual fund is a company that consolidates its shareholders' money and buys and sells securities on their behalf, when you put money into a fund you receive shares representing part ownership of the fund's securities and of any profit they produce. In effect, the fund transforms you form a solitary small investor into a part owner of multimillion-dollar portfolio whose value fluctuates with changing market condition" *(Ellis, 1987:95)*.

"A mutual fund is a company that brings together money from many people and invests it in stocks, bonds or other assets. The combination holdings of stocks, bonds or other assets fund are known as its portfolio. Each investor in the fund owns shares, which represent a part of these holding" *(Http//: www. Sec. gov. 2009)*.

The advantage can be taken by investors are reduction in risk, expert professional management, diversified portfolios, liquidity of investment and tax benefits. The interests of the investors are protected by the regulatory body which acts as a watch dog.

Mutual funds have specific investment objectives and various objectives are growth, growth income balanced income and industry specific funds. The tax shelter is the most important advantage of Mutual funds. A Mutual fund set up by a public sector bank or financial institution or one that is authorized by the government.

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Mutual funds offer firstly reduced risk and diversified investment. The funds as an organization of mutual funds supplies expertise in stock selection and timing purchase and sale of securities to investors on the invested funds to generate higher returns, Mutual funds assure liquidity and investment care.

Mutual funds are becoming increasingly popular all over the world. As we know, these funds have become emerging issue over the last 24 years. What was once just an obscure financial instrument is now becoming a part of our daily lives. More than 80 millions people or one half of the households in the USA invest in mutual funds. Even some government officials are investing their money viz. Citizen Investment trust; they do not have the knowledge about its real work and they may not know that they are investing in a mutual fund.

The fundamental principles of the mutual funds are to collect money from low class or medium class investors and to invest the money to various schemes so that the interest of investors can be increased. In the Nepalese context, there are two mutual funds are established so far, viz. Citizen Investment Trust and NIDC Capital markets, these funds play role as financial intermediary organizations and in views of supportive roles of financial instruments in capital market. Their issues have a wide range of safety, diversity, liquidity and high outcomes *(Ellis, 1987:103).*

2.3 Historical Development of Mutual fund

2.3.1 Origin of Mutual fund Investing

The idea of pooling money together for investing purposes started in Europe in the mid-1800s. The first pooled fund in the U.S was created in 1893 for the faculty and staff of Harvard University. On March 21st, 1924 the first official Mutual fund was born. It was called the Massachusetts Investors Trust *(Hazel, 2000:200).*

After one year, the Massachusetts Investors Trust grew from $50,000 in assets in 1924 to $392,000 in assets (with around 200 shareholders). In contrast, there are over 10,000

Mutual funds in the U.S today totaling around $7 trillion (with approximately 83 million individual investors) according to the Investment Company Institute.

The stock market crash of 1929 slowed the growth of mutual fund. In response to the stock market crash, congress passed the securities Act of 1933 and the securities Exchange Act of 1934. These laws require that a fund be registered with the SEC and provide prospective investors with a prospectus. The SET (U.S. Securities and Exchange Commission) helped create the investment company Act of 1840, which provide the guidelines that all fund must comply with today *(Cheney & Moses, 2000:78)*

With renewed confidence in the stock market, Mutual fund begin to blossom. By the end of the 1960,s there were around 270 funds with $48 billion assets. In 1976, John C. Bogle opened the first retail index fund called the first index Investment Trust. It is now called the vanguard 500 index fund in November of 2000 it became the largest Mutual fund ever with $100 billion in assets. One of the largest contributors of Mutual fund growth was Individual Retirement Account (IRA) provisions made 1981, allowing individuals (including those already in corporate pension plans) to contribute $2000 a year. Mutual fund is now popular in employer-sponsored define contribution retirement plans (401k), IRAS and Roth IRAs Mutual fund is very popular today, known for case-of-use, liquidity and unique diversification capabilities *(Hazal, 2000:201).*

2.3.2 History of Indian Mutual fund industry

The Mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve bank. The history of Mutual fund in India can be broadly divided into four distinct phases.

First phase- 1964-1987

Unit Trust of India (UTI) was established on 1963 by an act of parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the industrial Bank of India (IDBA) took over the regulatory and administrative control in

place of RBI. The first scheme lunched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase – 1987-1993 (Entry of public sectors fund)

1987 marked the entry of non-UTI, public sector Mutual fund set up by public banks, Life insurance Corporation of India (LIC), and General Insurance Corporation of India (GIC). SBI Mutual fund was the first non- UTI Mutual fund established in June 1987 followed by Punjab National Bank Mutual fund (Aug 89), Indian bank Mutual fund (Nov 89), Bank of India (Jun 90), Bank of Baroda mutual fund (oct. 92). LIc established its Mutual fund in June 1989 while GIC had set up its Mutual fund in December 1990. At the end of 1993, the Mutual Fund industry had assets under management of Rs. 47,004 crores.

Third phase-1993-2003 (Entry of private sector fund)

With the entry of private sector fund in 1993, a new era started in the Indian Mutual fund industry, giving the Indian investors a wider choice of fund families. 1993 was the year in which the first Mutual fund regulations came under which all Mutual funds, expect UTI were to be registered and governed. Kothari was the pioneer (now merged with Franklin Templeton) in private sector Mutual fund registered in July 1993.

The 1993 SEBI (Mutual fund) regulations were substituted by a more comprehensive and revised Mutual fund regulations in 1996. The industry now functions under the SEBI (Mutual fund) Regulations 1996. The number of Mutual fund houses went on increasing, with many foreign Mutual funds setting up fund in India and also the industry has witnessed several mergers and acquisitions. At the end of January 2003, there were 33 Mutual funds with total assets of Rs. 1, 21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other Mutual fund.

Fourth phase –since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was classified into separate entities. One is the specified undertaking of the Unit trust of India with assets under management of Rs. 29,835 crores at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other

schemes. The specified undertaking of the Unit Trust of India, functioning under an administrator and under the rules framed by government of India and does not come under the preview of Mutual fund Regulations.

The second is the UTI Mutual fund Ltd., sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual fund Regulations. With the biburcation of the erstwhile UTI which had in March 2000 more than Rs. 76,000 crores of assets under management and with the setting of a UTI Mutual fund, conforming to the SEBI Mutual fund Regulations, and with recent merges taking place among different private sector fund, the Mutual fund industry has entered its current phase of consolidation and growth. As at the end of October 31, 2003, there were 31 funds, which manage assets of Rs. 1, 26,726 crores under 386 schemes.

2.3.3 History of Mutual fund system in Nepal

In Nepal the practice of Mutual fund started on Ashad 19, 2050 B.S (1993 A.D) with the establishment of NCM First Mutual fund and lunched by NIDC capital markets Ltd, in the Nepalese Capital market. The manager of this fund was NIDC capital market Ltd, which is an autonomous body with around 45% equity participation of well- known insurance and financial institutions. The fund was established for the purpose of investing fund not only in shares but also in debentures, bonds, government treasury bills and short- term investments. The fund 2050 was on open- ended growth fund. It was the one and only Mutual fund in our country intended to give small investors collective strength and professional management to invest in the fluctuating stock market for between growths of their investments. According to its prospectus, Mutual fund is a pool of fund from different investors, thus being collective scheme. The fund collected in such a way is deployed in different portfolios on a proportionate basis so as to minimize the risks. When the first Mutual fund was introduced, there was no assurance of dividends to the unit holders but they could enjoy the benefits of capital appreciation safety and liquidity.

The fund opened in Ashad 2050 started investment from Aswin 2050. It was issued with a unit face value of Rs. 10 each, in multiple of 100 units. It was agreed that up to 90% of the fund were to be invested in equities, debenture and bonds and up to 30% in the short- term investments but not less than 10% of the fund surplus and at the same time fund

would neither acquire more than 10% of the equity of a company nor invest more than 25% of the total assets of the particular company. The basic objective of this fund was to provide long term capital appreciation.

At the time the fund opened is Ashad 2050; it was projected to have a return of 19% in a long-term. The fund started investing is Aswin 2050 was publishing quarterly reports. At the end of Ashwin 2051, reports showed a good base for analyzing its 12 months operation since its inception. "A total 1024, 950 units of Rs. 10 each face value was outstanding against the Net Asset value of the fund of Rs. 1459155921. This resulted in NAV per unit of Rs. 14.25 for which investors could opt for the sale of their units to the fund manager. Hence one unit of Rs. 10 became a unit of Rs. 14025 in 2 years time yielding growth of 42.5% per annum. However, this growth happened when the stock market was as its peak. But when stock market was at its lowest at the NAV per unit as on 25.09.2051 was Rs. 13.20, which nonetheless provided a yield of 25.6 to the original investors.

NCM units were more liquid than a share because the investors did not have to look for a broker to sell their units. Investors could directly go to NIDC capital market and get an on the spot payment for their units equivalent to its net asset value of that particular day. No, brokerage fee was charged for selling the units. Similarly, anybody wiling to buy the units could also approach fund manager and could purchase it at the prevailing selling price of that day.

Mismanagement, liquidity crunch, and several other reasons made the fund a failure and as a result on recommendations made by a committee consisting of financial experts, the open-ended fund was converted into a closed-end one in 2053 B.S. The management of the fund was handed over to Nepal Industrial Development Corporation (NIDC) and NIDC capital market was made the custodian as well as the trustee of fund.

2.4 Objectives and prospectus of Mutual funds

Mutual funds are investment companies, and that they may invest in securities of various kinds, such as stocks and bonds. Money market mutual funds, which constitute a major portion of the fund universe, invest only in very short term bonds. A fund's objective, described in the prospectus, gives broad indications of the types of investment a fund

may make. The prospectus discloses important specific details about fund that the prospectus investor should be aware of, including allowable investments, expenses, risks, and financial statements. Therefore investors should always read the prospectus carefully before investing or spending money *(Saunders, 1994:75)*

The following paragraphs will give a more in- depth view of the contents and purpose of the prospectus. The most important aspect of a fund of its investments object. The fund's objective tells investors the goals the fund seeks to achieve, and a goal deal about how it intends to achieve them. A balance of fund will generally hold stocks and bonds. A fund seeking growth fund will utilize stocks. A fund seeking income with little or no concern for growth will generally hold bonds.

The objective of a fund is so fundamental that it generally determines the category into which a fund will be assigned. For example, we speak of growth fund, foreign fund, income fund, and money market fund. The stated objective is usually quite short, one or two paragraph in length and can be found in the vary beginning of the fund's prospectus. Listed below are some examples of major objectives categories.

Investment objectives

Presentation of capital and liquidity-Achieved by investing in very short term bonds

      Income-   Achieved by investing in bonds.

      Balanced-   Achieved by investing in bonds and stocks.

      Growth-   Achieved by investing in stocks.

Immediately following the investment objective in the prospectus is a discussion of what investments are allowed, and in what percentages. Fully diversified stock fund, for example must conform to legal limits for maximum holdings in any on stock or industry. On the other end of the spectrum are sector fund, which may hold stocks from a single industry only. Risks of the various allowed investments are discussed in considerable detail in prospectuses, although it is at this point in reading the prospectus that many investors get "bagged down" in the legal verbiage and technical detail *(Johnson, 1993:23)*

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In conclusion, it can be said that a Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as share, debentures, and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified, professionally managed basket of securities at a relatively low cost.

There are lots of advantages and disadvantages of mutual funds, which can be illustrate as follows:

2.5 Advantages of mutual funds:

- Mutual funds companies diversify the investments so that the risk can be eliminated diversification means investing in many security of market. Diversification can be express as "Do not put all your eggs in on basket".
- Mutual fund companies mobilize low saving of individuals into investment people who don't have money to invest on bonds, markets etc. can easily invest in mutual funds.
- Mutual funds companies develop investment culture in the nation. Investment in bonds, shares, debentures etc can be developed.
- Mutual funds companies are financial mediator so the practice of agency service can be seen well in the society.
- Establishment of mutual funds promotes social mobility, inflow of factors of production etc.

2.6 Disadvantages of Mutual Funds:

- Mutual funds may be expensive because investors must pay sales charges, annual fees and other expanses regardless of now the fund performs.
- Personal taxes are to be paid while investing or selling of securities.
- Mutual funds have small holdings in so many different companies high returns from a few investments often don't make such difference on the overall return.

2.7 Problems Related to Nepalese Mutual funds

Definitely Nepal has come a long way in the field of mutual funds. But this is not enough. Due to lack of sufficient mutual funds companies, Nepal is till in the stage of beginning in comparison to prominent country like India and USA. As we have already mention above those mutual funds has being playing economic, social, environment of political roles. The success of mutual funds is the development of economy of every country, so, we can imagine, how much mutual funds is important to our country. So, there are lots of problems regarding mutual funds in Nepal which should be rectified some problems regarding mutual funds are as follow:

⟩ Must of the investors do not have adequate knowledge about its features and operations. So they hesitate to invest in mutual funds.

⟩ Nepalese employees working in mutual funds are not as intelligent and national as they should be.

⟩ There is not any strong policy to regulate mutual fund scheme in capital market.

⟩ The present security situation is discouraging investors to established their own venture when mutual funds companies provide loans.

2.8 Investment companies

Investment companies accept money from individuals and invest these funds according to the company's investment philosophy. An investment company is an organization through which individual investors purchase ownership interest in a well diversified of securities. A firm that is organized and operated for the exclusive purpose of purchasing the debt and for equity of business organizations, government securities, municipal securities or some combination of these *(Johnson, 1993:22)*

In Investment Company is simply a corporation that invests that in marketable securities and other categories of investments such as a real asset *(Cheney and mosses, 2000:203).* In other words, a manager investment company can be define as a financial service organization that sells shares in it to the public and uses these funds to invest in a portfolio of securities such as money market instruments, stocks and bonds *(Jones,1996).*

According to the above definitions, an investment company is a financial service organization that sells shares in it to the public and collects money by them to invest the fund hopefully on a specific basis is securities. In this system fund are accepted from small investors and used them to buy stock, long term debt instruments, other securities that are issued by public limited companies and government. This type of pool fund reduces risks by diversification. It collects small savings and then invests it in a wide range of portfolio. This reduces the risks of investment to a large degree because it creates normal distribution of risks and returns by the reason of diversification of investment and portfolio management.

In the context of diversification of investment and well portfolio management the investment company purchases the debt and or equity of business organizations, government securities, municipal securities or some combination of these. It takes care of the types of securities, degree of risks, tolerance, average maturity of the portfolio, and emphasis on current income or capital gains yield. In other words, it considers many other factors to get expected capital gains or current income (interest or dividend income). The diversification of the investment or the range of diversification of fund will depend on the company's investment philosophy or its objectives *(Cheney and mosses, 2000:205)*

The most basic level of diversification is to buy multiple stocks rather than just one stock. Investment companies set up to buy many stocks (even hundreds or thousands). Beyond that one can diversify even more by purchasing different kinds of stocks, then adding bonds, then international and so on. Diversification of funds means, "Don't keep all of the eggs in a basket", it may be too much risky to smash. So it reduces the risk of investment to a large degree. It always supplies the theory of normal distributions to reduce the risk.

2.9 Types of Mutual fund

There are two basic types of mutual funds. "Open-ended" or "open" mutual funds are the most common type of mutual funds. Investors may purchase units from the fund sponsor or redeem units at the valuation promised in the fund documents, usually on a daily basis. "Closed –ended" or closed mutual funds are traded as financial securities, once they are issued and holders must sell their units on the stock market to receive their funds back.

By maturity period:

a) Close-end mutual funds

The closed-end mutual funds Investment Company can not sell share units after its initial offering. The unit shares are issued like the new issues of any other company and it will be listed and quoted on a stock exchange. The unit shares of the closed- end funds are not redeemable at their NAV (Net Asset Value). On the other hand these shares are traded in the secondary market on a stock exchange at market prices. The closed-end funds are canalized in to the secondary market for the acquisition of corporate security.

b) Open-end mutual funds

"Mutual Funds, the largest and most popular, are the open-end investment companies because they stand to issue new shares or redeem outstanding shares on a continuous basis". For the most part, open-end fund shares are bought and sold directly through the fund itself or its agents, not over- the counter or on and exchange.

Other types of Mutual Funds

a) Load fund

The Mutual Funds which charges a sales fee or commission, is known as a "loan". This fee varies from fund to fund. Other fund which does not charge the fee is called no- load funds. Both types of fund pay continuing management fee that differs in amount to their advisors. If there are no differences in the risk and gross- return performances, no-load funds are generally a better choice for a "short" holding period. A load fund might be better, however, for a "long" holding period if the annual expenses and fee were lower than those of a comparable no-load fund.

b) Balanced mutual fund

Balance mutual fund is a fund composed of both a variety of common stocks and fixed income security. The object of this type of investment is to minimize the risk without sacrificing the possibilities of long-term growth. These funds invest their money in specified proportions, in fixed income securities and debts.

c) Growth and income funds

Growth and income funds are for those who want income and whose goal is not immediate capital gain. These funds specialize in high-yielding stocks and bonds. Generally people invest in such fund for long-term growth of capital and to provide investors with a reasonable level of current income.

d) Dual-purpose mutual fund

Dual-purpose mutual fund invests equal dollar amounts in each of two types of shares, income and capital. Income shareholders receive a set, minimum rate of return and are paid all of the dividend and interest income produced by the fund. Income shares are redeemable at a time and price. Income shareholders do not receive any parts of fund's capital growth. Capital shareholders, on the other hand, receive no periodic income, but are entitled to all the company's assets after the company terminates and income shareholders have been reimbursed.

e) Bond fund

Bond fund invest only in debt instruments, usually either corporate bonds or government bonds. Due to the relatively stable returns of these investments as a portfolio base, these funds are generally exposed to less risk than others.

f) Option funds

Option funds are high-risky investments in which the manager of the fund buys and sells securities options and engages in" short" sales. Although options may be used in connection with existing portfolios of common stock to limit the effect of upward or downward price movement, the use of options without owing the underlying security is speculative and should be entered into lightly. Its return is high but is also high.

g) Specific portfolio funds

Invest in the securities in a particular industry, for example an oil and gas income fund, which holds a portfolio of interests in oil and gas wells, or a gold fund, which holds a portfolio of gold mining company stock. There are also funds that invest in only low-grand bonds, yield money market instruments or bank certificates of deposit.

2.10 Classification of Mutual Fund

Mutual funds can be classified into three broad categories as follows:

a) Portfolio classification:

In this classification, Mutual funds differ with one another with respect to the types of securities, which comprise the portfolio. Different funds are designed to cater to the risk and return perception of different types of investors.

b) Functional Classification:

These types of funds may be open-ended or close-ended, load or no load etc.

c) Geographical classification:

Mutual funds that operate with a country's boundaries by mobilization savings of its citizens within the country are called domestic funds. On the other hands, those funds, which are meant for subscription from foreigners or from the same country's citizens living outside its shores, are known as offshore mutual funds.

2.11 Services Provided by Mutual Fund

Most of the larger funds offer their shareholders and number of services that may be important in achieving a specific investment objective. The more common services include the following:

a) Periodic investment plans:

After and account is opened, for a minimum amount that can be as small as $1000. Additional investments can be made in amounts as small as$50. These additional investments can be on a voluntary accumulation plan or no a fixed amount/ fixed-interval basis using preauthorized checks drawn against the investor's checking account.

b) Record keeping:

Mutual funds often provide cumulative monthly statements that help the investor track investment performance and maintain adequate tax records. Statements may also be issued after any transaction in the account.

c) Distributions:

Funds typically offer several options related to dividend and capital gain income. A share option automatically reinvests all dividends and capital gain distribution in addition shares or fractions of share. A second choice is an income earned option that reinvests capital gains and pays dividend income to the investor in cash. A third choice is the cash option that pays both dividends and capital gains in cash.

d) Exchange privilege:

Funds offer telephone exchange privileges, with a toll- free number that is serviced by and account representative. In a no-long fund, no fees are charged for these exchanges, but the number of exchanges allowed during a calendar year may be restricted. Some load or low-loan funds charge for the exchanges.

e) Computerized account information and transactions:

Addition to using an account representative, some large funds now offer quotations and yields as well as specific account information by telephone, 24 hour a day, and seven days a week. For example, "Tele Access", offered by T. Rowe price, provides a toll- free number; with a touch-tone phone and the appropriate codes, the investor can obtain specific information. The company's "Transaction-line" allow shareholders to exchange shares among the "family" of funds or to move money between the fund and the investor's checking account.

f) Check –writing privileges:

Many fixed –income and money market funds offer check-writing privileges with certain limitations. Often there is a minimum check amount, such as $500and a limit on the number of checks that can be written each month. Any check is considered a withdrawal from the fund, executed at the prevailing NAV at the time of the transaction.

g) Wire transfers:

In addition to telephone, mail and telegram exchange and transaction privileges, some funds offer electronic funds transfers. This service enables the investor to make a very rapid transfer to or from a fund.

2.12 Expenses of Mutual fund

Generally the cost of investment companies include the following

a) Loan fee:

The most obvious cost of Investment Company which changes sales commission on the purchases and some times on the sales of share

b) Management Fee:

Every fund charges an annual management fee roughly 0.5% of asset market value, to compensate for research and management cost increased by the fund. This fee is deducted from the fund's earning during the year. The management fee is deducted from the fund's earning during the year. The management fee is usually the largest component of a fund's expenses. It covers salary, office space and accessories and the cost of portfolio management.

c) Admission fees:

Operating expenses of the fund, including custodian, accounting, legal and postage costs must be paid by the shareholders such fees are deducted from the assets of the funds on an annual basis and typical account to less than 0.5% of asset value per year.

d) Transaction costs:

Investment companies like any in investment must pay transaction costs to buy and sell securities. Investment companies have an advantageous over individual investors' however because of the large blocks they trade and their power to negotiate favorable, commission. Obviously holding down portfolio turnover, whole other turnover almost their entire portfolio turnover regularly, a possible "hidden" transaction cost for investment companies is the pressure caused by the trading of a large block i.e., buying or selling a large block may drive the prices up or down beyond what would have occurred with a smaller number of shares.

2.13 Review of major International studies:

Various studies have been made concerning the mutual funds. Some of the major international studies on the relating mutual fund are stated as below:

Friend, Brown, Herman and Vickers (1962):

They offered the first empirical analysis of Mutual Funds Performance. Because of the growing important of investment companies in the United States, the Securities and Exchange Commission (SEC) engaged the Wharton School of Finance and Commerce to conduct the study of Mutual Funds.

The investigation found no relationship between the performance of Mutual Funds studies and the management fees and sales charges that these funds levied.

"The fact that the analysis does not reveal a significant relation between management fees and performance indications, in other words those investors cannot assume the existence of higher management fees implies that superior management ability is thereby being purchased by the funds (Friend 1965)."

Malkiel's study (1995):

The performance of Mutual Funds was analyzed by Burton G. Malkiel. The study take a new look at Mutual a funds returns during the 1971 to 1991 period and utilizes a data set that includes the return from all Mutual Funds in existence in each year of the period. Most data sets include all Mutual funds that were in existence and thereby excluded funds that had terminated their operations. The study utilizes two market indexes as benchmark portfolio: one was the Standard and Poor's 500 and the other was Wilshire 5000.

The study utilized the CAPM Model to have a measure of the funds performance shown as below.

$$R_{fd}\text{-}R_f = \ + \ (R_{mkt}\text{-}R_f) + E_{id}$$

Where,

R_{fd}= Fund Return

R_f=Risk Free Rate

R$_{mkt}$= Market Return

    = Measure of excess performance

    = Beta

The calculation used quarterly returns for the funds and for the market benchmark. The risk free rate taken was three- month i.e. rate reported by Ibbotson association.

The study also took up an important issue: Supervisor ship Bias. It states that significant biases can be created in a study by including funds that no longer exists. Therefore the study tried to reduce their biasness by including funds that were in existence.

The study found out that Mutual funds tended to under perform the market, not only after management expenses have been deducted but also gross study found out by utilizing simulation of variety of feasible investment strategies based on the persistence phenomenon, that above average returns were produced during the 1970's.during the 1980's however, the study found no evidence that investors could earn extraordinary returns following a strategy based on persistence.

In conclusion the study stated that it did not find any reason to abandon a belief that securities markets are remarkable efficient. It suggested that most investors would be considerable betters off by purchasing a low expense index fund, than by trying to select an active fund manager who appears to process a hot hard. Since active management generally fails to provide excess return and tends to generate greater tax burdens for investors the advantage of passive management holds a Fortiori.

Hendricks, Jayendu and Zeckhauser's study (1993):
One of the important (recent) studies made on mutual fund performance is the one made by Darryll Hendricks, Jayendu Patel and Richard Zeckhauser.

The research was supported by grants from Bradley Foundation and the Decision, Risk and management science program of the national science foundation.

The study carefully examined the quarterly excess return of 165 mutual funds from with relatively high returns in one period tended to have relatively high return in next period. These funds had invested primarily in common stocks with the objectives of growth, growth and income or income and aggressive growth.

In the study each fund was placed in one of the eight group based on the excess returns over the first quarter of 1974. Then the excess return of each group was measured for the second quarter of 1974 by averaging the excess returns of the funds in the group. The process was then repeated, except that the funds was assigned to one of the eight groups based on their quarterly excess return for the second quarter of 1974 , and then the average fund excess return was for each group was calculated for the third quarter of 1974. This process was repeated through the fourth quarter of 1988, resulting in a set of quarterly excess return for each group ranging from the second quarter through the fourth quarter of 1988. At this point average excess quarterly returns for the eight groups were calculated over the entire period.

The study found that Mutual Funds did better in one quarter were likely to do better in the next quarter. The study also suggested that investors should be concerned with short – term relative performance based on the funds return over the past four quarter. Similar results were obtained when various risk adjusted measures of performance, such as ex-post Alphas, were used.

Another study looked at the performance rankings of broad- based equity funds in consecutive time period *(Geotzmann and Ibbotson, 1994)*. For each year beginning in 1976 each mutual fund in a sample of 258 was labeled either a "winner" or "looser" based on whether its return was in the top or the bottom half. This continued throughout 1988, by which time the sample had grown to 728 funds. Then funds labels were compared to see what labels the winners and losers received in the adjacent years?

If there is persistence performance, then substantially more than half of the winner in t+1 (and substantially less than half should be losers).The study showed that over 55% of the winners remained winners and losers remained losers. Even more dramatic results were

obtained as adjacent two-year and three-year period were examined, when about 60% of the winners remained winners in the next period. As for losers, over two-year periods 60 of them remained losers. The results were confirmed when using sub groups of funds and risk-adjusted measures of performance.

Instead of looking at above average funds, another study looked at only the beat performing funds (Bogle, 1992). Specially for each year beginning in 1982 the top 20 funds were identified based on their annual returns of the year. Then their rank was determined for the next year based on their annual return then, and the process was repeated through 1992. The average rank of the top 20 funds in the year after being so honored was 284th out of 681, which is only slighted above the median. Furthermore, the top 20 funds based on their returns over the 1972-1982 periods had ten year average return over the subsequent decade that resulted their having a slightly above median of 142nd out of 309.

The result from these three studies indicates that there is a mild degree of persistence of performance among mutual funds. Investors still face a good investment companies. *(Anderson, Coleman, Gropper and Sunquist, 1996).*

The paper investigated the impact of corporate structure on the return performance and related operational characteristics of open and closed –end investment companies. In order to test the hypothesis that closed-end investment companies (CEIC) returns exceed mutual funds (open end) returns, the study employed a sample of closed-end funds and a sample of mutual funds of both the stocks and bond varieties, for the time period 1984-1993. For each CEIC and mutual fund sampled the study collected data of six performances and operational measures: gross return, net return, expenses ratio, turnover ratio, capital gains and income.

The General regression model employed in order to assess performance was:

$$Y = \ + \ _1*open + \ _2*YEAR$$

Where,

      Y   =   performance measure

Open = 1 if open-end structure, 0 if closed-end structure.

YEAR = a series of (k-1) dummy, variables, where k is the no. of years covered by the data and where the one variable corresponding to the year of the observation is equal to 1 and all (k-2) other variables are equal to 0.

The study showed that both bond and stock open-end funds experience higher portfolio turnover rates than bond and stock CEICs. However, while testing the return of mutual funds and CEICs, the study found out that the return is affected by the type of security held, with bond CEICs tending to out perform bond mutual funds and stock mutual funds out performing stock CEICs. Curiously the result suggested that the superior returns of bond CEICs and stock mutual fund and achieved despite higher expenses for each of these.

2.14 Review of major studies in Nepal

The review of studies regarding Mutual Funds can be broadly classified into two categories:

2.14.1 Review of Books and Journals in Nepalese Perspective

Very few articles relating directly or indirectly with Mutual fund are published in Nepal or viewed given by the person. Some of them, which are significant in this study, are reviewed in this section.

A study of Mr. Monohar K. Shrestha (1993), write an article on a focus on growing financial intermediary in Nepalese capital market. In an article of mutual fund, Monohar K. Shrestha states: "NIDC capital markets Ltd. With NCM-mutual fund is stepping in the capital market to create innovative investment stimulus to the investment diversification with custodian function of NABIL Bank. The focus of this mutual fund is o attract investor by providing them indirect investment option for having favorable return on their investment. Due to growing confidence of investors on the capital market, the offer of mutual fund shares of Rs. 10. Denomination per share by NIDC capital market Ltd. Make it possible to bring even small investors o the main stream of participating in the capital market.

According to Parmashwor Bhakta Malla, the author of Nepal stock bulletin article 2052 has stated that "as long as the investor gets good return in the medium to long term as

well as short term, mutual fund units are indeed investment worthy. If the mutual funds assure good returns, quick liquidity and safety, all laced with sufficient transparency, then surely the growth of mutual funds will surpass that of bank but the mutual fund's motto must be the small investors first, not companies".

According to Nanda Hari Sharma of citizen Investment Trust NCM Mutual funds and unit scheme – 2052 are only mutual funds now operating in Nepal. The fund raised from this was approximately Rs. 100 million. NCM-Mutual fund is the mutual fund scheme lunched by NIDC Capital market Limited. The mutual fund operated by Citizen Investment Trust is open-end mutual fund and the mutual fund operated by NIDC Capital market limited is a closed-end mutual fund.

2.14.2 Review of previous Thesis

In last few years, prior to this thesis, some students of M.B.A and M.B.S programmed have conducted research about the mutual funds. Some of them, which are supposed to be relevant for this study have been reviewed and presented in this section.

Suman Neupane's study (2007):

Prime objective of the study "Mutual fund performance in Nepal" was to know a general idea about the practice of mutual funds in the country and to analysis performance of the mutual fund. On the basis of data for 32 months, his finding was, a practice of mutual fund is not good enough. Performance is less then the market portfolio.

Srijana Mahato"s study (2008):

The main objective of the study to know the "Risk and Return Analysis of investing in mutual fund" and the specific objective of the study will be as follows:

⟩ General idea and practice of mutual fund in Nepal.

⟩ Performance of the mutual fund in current status.

⟩ To find out whether investing in share is better or in fund.

⟩ To know why people are not showing interest towards mutual funds.

The findings drawn by the study are as follows:

Major findings led this study to conclude that the NCM mutual fund is not as efficient as the market portfolio. Though monthly return of NCM is high than the market but total risk of the market (standard deviation) is less than the NCM it means NCM is risky than the market.

Rabin Hada (2009):

A study of Mr. Rabin Hada (2003), made a study on a topic of mutual fund: Emerging trend in Nepalese financial market. His study was mainly focuses on the potentiality, risk are return of mutual fund. The current problems and future potentiality are the subject matter of his study.

He analyzed the trends of first mutual fund of Nepal NCM mutual fund and chosen as the subject matter of his study.

In conclusion, he found out that from the financial and statistical analysis of the data, NCM mutual fund has under performed or could not perform efficiently. He has found that still there are lots of things to be done in mutual fund business. First of all, the management the fund should try to invest most of its asset into the primary shares of the bank and other financial institutions for the possibility of capital gain in addition to the current yields. The Portfolio management of the fund should be made dynamic. It should restructure the portfolio by removing the securities yielding low return with the securities that yield high return.

Bajra Mohan Adhikari's Study (2009):

This study shows comparative study of Citizen Investment Trust and NIDC Capital market. He has encouraged the role of both private sector and government in order to develop the mutual funds in Nepal. The study has found out some important things like:

- The profitability of NIDC Capital market and Citizen Investment trust was satisfactory and the earning of Citizen Investment Trust was more than that of NIDC Capital markets limited.
- The earning per share of Nepalese mutual fund was not constant.

⟩ The fixed and current assets turnover ratio of citizen Investment trust was higher than NIDC capital market. They were also in fluctuating trend. Citizen Investment trusts was the better to utilize the fixed assets for income generation of the two companies.

⟩ The working capital of the mutual funds companies was below the standard of 2 though the NIDC Capital markets working capital was quite closer to the standard.

Finally, he concludes making some recommendations like to concentrate on increment of profit in future days for both companies, to increase the investment. He also promotes the role of the government of Nepal for its regulatory role, providing safe guard and developing good business environment.

CHAPTER-3

RESEARCH   METHODOLOGY

3.1 Background

Research methodology refers to the various sequential steps to be adopted by a research in studying a problem with certain objects in view. So, it is the methods, steps, and guidelines, which are to be followed in analysis, and it is a way of presenting the collected data with meaningful analysis. The Webster International Dictionary gives a very inclusive definition of research as: a careful critical inquiry or examination in seeking facts and principles; diligent investigation in order to ascertain something. *(Saravanavel, 1990:21)*

Research methodology is a way to systematically solve the research problem *(Kothari, 1990:23).*   It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher, studying his research, studying his research problem among with the logic behind them.

A research methodology helps us to find out accuracy, validity and suitability. The justification on the present study can not be obtained without help of proper research methodology. For the purpose of achieving the objectives of study the applied methodology are used. The research methodology used in the present study is briefly mentioned below.

3.2 Research Design

Research design is a conceptual structure with in which a research is conducted. In simple language, planning for research is a research design. It is purposeful scheme of action proposed to be carried out in a sequential during the process of research. Research design helps researcher to enable him to keep track of action and to know weather he was moving in the right direction to achieve his goal.

Research design is the plan, structure and strategy of investigation concerned so as to obtain answers to research questions and to control variances (Krelinger, 1970:32).

The research design of this study basically follows the Mutual Fund investment analysis in Nepal. Various analytical and descriptive approaches are used to analysis the mutual fund investment practices.

3.3 Sources of the data

Both secondary and primary data were gathered for analysis. Mutual fund and its present performance in terms of market price were gathered from NIDC Capital market. Other many information and recommendation was gathered from focus group in primary data collection procedure.

3.4 Population and Sample

3.4.1 Population

General investors of Nepalese capital market, institutional and individual investors, NIDC capital market and other market makers are included into the population of the study. Different experts from investment, market intermediaries, academicians, auditor's researcher, bureaucrats and general investors are taken into the total population of the study.

3.4.2 Sample

A small portion chosen from the population for studying its properties is called a sample and the number of units in the sample is known as the sample size. The method of selecting for study a small portion of the population to draw conclusion about characteristics of the population is known as sampling. Sampling may be defined as the selection of part of the population on the basis of which a judgment or inference about the universe is made. Like wise, financial statements of five years (beginning from 2061/62 to 2065/66 are selected as sample for the purpose of it.)

For the primary data

Following table 3.1 presents the detail of the respondents group of the selected sample.

Table 3.1

Frequency distribution of Demographic Status

Gender	Freq.	Percent	Cumulative Percent
Male	44	71.0	71.0
Female	18	29.0	100.0
Total	62	100.0	

Gender	Freq.	Percent	Cumulative Percent
Academicians	12	19.4	19.4
Officials	17	27.4	46.8
Stock brokers	10	16.1	62.9
Bureaucrats	7	11.3	74.2
Auditors	6	9.7	83.9
General Investors	10	16.1	100.0
Total	62	100.0	

Responsibilities	Freq.	Percent	Cumulative Percent
Assistant Officer	18	29.0	40.0
Officer	18	29.0	80.0
Manager	5	8.1	91.1
Director	4	6.5	100.0
Total	45	72.6	
Missing System	17	27.4	
Total	62	100.0	

Experience	Freq.	Percent	Cumulative Percent
1-10 year	45	72.6	72.6
11-20 year	17	27.4	100.0
Total	62	100.0	

Age	Freq.	Percent	Cumulative Percent
20-29 year	17	27.4	27.4
30-39 year	23	37.1	64.5
40-49 year	18	29.0	93.5
50 & above	4	6.5	100.0
Total	62	100.0	

Source: Appendix-2

Above table shows that there is almost equal number of respondents selected from 7 professions. Out of total respondents, 44 are male, 18 are female. The respondents are from 4 level and 17 are missing, different age and experience etc.

3.5 Data Collection instrument of primary information

An instrument was designed deriving many items from earlier international researchers (Panayiotis, 2002:20). The instrument is placed in appendix of this study. Few demographic variables such as Gender, Profession, Responsibilities, Work experience and the age of the respondents were included in the instrument. Only the demographic variables were designed in nominal scale. All the other items were designed in six point Likert type scale "1" strongly disagree to "6" strongly agree *(Gautam, 2004:16)*

3.6 Primary data collection procedure

The primary data are those which are collected a fresh and for the first time and thus happen to be original in chapter.

Stratified sampling technique was followed to collect opinion of more than 62 respondents from different sectors. Questionnaire were administered and returned with in three to five days from the respondents. Researcher personally visited all the respondents.

3.7 Tools and techniques employed

Different kinds of descriptive and analytical tools have been used for data analysis. Spreadsheet has been used for secondary data tabulation and analysis SPSS software is used for descriptive and analytical data analysis tools. Further more content analysis is also used to summarize the recommendation of focus group.

3.7.1 Financial Tools

Financial Tools are used to examine the financial performance of the mutual fund companies. In this study financial tools like ratio analysis and financial statements analysis have been used.

Ratio Analysis.

Ratio analysis is a powerful tool of financial analysis. In financial analysis, a ratio is used as an index or yards stick for evaluating the financial position and performance of companies. Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about firm's financial performance. "The indicated quotient of two mathematical, empressions" and as "The relationship between two or more things." *(Webster's new college dictionary, 1975)*

Liquidity Ratio:

Liquidity ratios measure the ability of the firm to meet its current obligation. The failure of a company to meet its obligation, due to lack of sufficient liquidity, will result bad credit image, loss of creditor's confidence, or even in lawsuits resulting in the closure of the company.

Current Ratio: The Current ratio is a measure of the firm's short-term solvency.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Debt Equity Ratio: Debt equity ratio measures the firm's credit worthiness. In other words, the strength of capital structure of a firm can be measured with the help of this ratio.

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

Profitability Ratio: Any organization should earn profit to survive and grow over a long period of time. Profit is the ultimate output of any organization, and it will have no future if it fails to make sufficient profits. Profitability ratio implies that higher the profitability ratio, better the financial performance of the companies.

Net profit margin: Net profit margin is determined to find out how much profit has been earned particularly in terms of sales. In other words, it is the relationship between net profit and sales.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}}$$

Total Assets Turnover ratio: Dividing total sales by total assets we obtain total assets turnover ratio. This ratio indicated how much sales have been achieved from particular level of total assets.

$$\text{Total Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

Investment to Total Assets Ratio: It is the reciprocal relationship between investment and total Assets; investment represents short term as well as long-term investment.

$$\text{Investment to Total Assets Ratio} = \frac{\text{Total Investment}}{\text{Total Assets}}$$

CHAPTER-4

PRESENTATION AND ANALYSIS OF DATA

Presentation and analysis of data is the major part of this research study. Using the various financial variables and statistical tools discussed in 'Research Methodology', we analyze the data to achieve our objective of the study.

4.1 Performance of Mutual Fund

In the context of secondary data basically income, expenditure. Total revenue and Net Profit analyzed from NIDC capital market and citizen investment trust with referencing secondary data or published data. The collected secondary data have been analyzed and presented in table forms. The interpretation and analysis have been made along with presented tables.

a) **Liquidity Analysis:** liquidity analysis measures the liquidity position of the company. Current ratio is the good indicators of liquidity analysis.

Table 4.1

Status of current ratio

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	7.03	0.882	0.863	0.877	0.496
NIDC Capital Market	1.32	1.84	1.25	1.23	-

Source:Annual report

The analysis of current ratio of citizen investment trust doesn't indicate strongly liquidity position of it because we cannot see two at any figure above. In the year 2064/065 the ratio was 7.03, which was above standard. In year 2063/064 the current ratio was 0.882.

The all above ratio is around standard from of current ratio. It denotes the good liquidity position of NIDC capital markets limited. In the year 2063/064 the current ratio was

around two or near lightly acceptable mark. The worst position from the above figure was in the year 2061/062.

b) Debt Equity Ratio: Debt Equity Ratio is one of the crucial ratios in order to determine the capital structure of a company. This ratio depends upon the risk taking ability of a company. 40% debt and remaining 60% of equity is highly acceptable.

Table 4.2

Status of debt equity ratio

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	7.09	-	-	-	0.805
NIDC Capital Market	40.31	110.94	-	-	44.26

Source: Annual report

Citizen investment trust has not utilized the debt capital in the year 2063/064, 2062/063, 2061/062. So the debt equity ratio cannot be calculated in these years. In comparison to the first reference year with last reference year, we find first reference year with last reference year, we find that it has been fluctuating rapidly it has been affected by the risk-ness, internal policy etc.

Generally 40% of debt equity ratio is widely acceptable. The company has achieved this in the fiscal year 2064/065 so this figure is excellent; however, before this year the ratio was 110% that is quite abnormal. In the year 2061/062 and 2062/063 the ratio is blank because the company has not used its debt capital.

c) Net Profit Margin

As a rule, Net Profit margin should be calculated from net profit and total sales since the total sales is not available in the income statement, it has been calculated from net profit divided by total revenue.

Table 4.3

Status of net profit margin

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	46.26	35.5	44	49.32	51.01
NIDC Capital Market	22.45	(8.27)	4.02	18.88	-

Source: Annual report

The higher the profit, the better the situation of the company will be. Higher percentage profit margin being 46.26% in the year 2064/065, 35.5% in the year 2063/064, 44% in the year 2062/063, 49% in the year 2061/062 and 51% in the year 2060/061.

The NIDC capital market has come a long way since its loss in the previous year and low profit of 4.02% in the year 2062/63.

d) Total Revenue to Total Assets Ratio

The total revenue to total assets ratio is also called sales turnover ratio. In the absence of sales total revenue has been put to represent it. This ratio has measured the trend by which total assets is contributing on total revenue. Like other many ratios, if it is high, we can say that the assets are efficient to generate income since higher is better.

Table 4.4

Status of total revenue to total assets ratio

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	0.01	0.012	0.017	0.02	0.03
NIDC Capital Market	0.13	0.126	0.11	0.145	-

Source: Annual report

Total Revenue to total assets ratio remained 0.01 times in 2064/065. In the previous year it was 0.012 times. In 2062/063 this ratio was almost similar to that the following year, hence became 0.017 times. This ratio in 2060/061 and 2061/062 was 0.03 times and 0.02 times respectively.

Total assets turnover ratio in the above table doesn't show great deal of fluctuation. In 2061/062 the ratio is highest that indicates 14.5% of the total turnover is contributed by total assets. As we prefer higher total assets turnover ratio, the total assets turnover ratio of NIDC capital market is only satisfactory.

e) Investment to Total Assets Ratio

Investment to total assets ratio is extremely important for any organization since it explains how much investment has been made from particular level of assets.

Table 4.5

Status of investment to total assets ratio

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	0.0214	0.0443	0.059	0.073	0.294
NIDC Capital Market	0.0875	0.1326	0.065	0.069	-

Source: Annual report

In the year 2060/061 the investment to total assets ratio was 0.194. In the following year it decreased quite a bit and continued to decrease up to 2064/065 which was 0.0214.

There has not been great deal of fluctuation in total investment to total assets ratio. It is not so great except the year 2063/064. The present business situation may have contributed to lower this ratio because this ratio is found to be quite low in many companies of Nepal.

f) Analysis of Expenditure

The analysis of expenditure is another important aspect in financial analysis. The excessive amount of expenditure increases the real cost as well as brings inefficiency in the overall organization. The analysis of expenditure can be done with the help of income expenditure ratio.

Table 4.6

Status of analysis of expenditure ratio

Company/F.Y.	064/65	063/64	062/63	061/62	060/61
Citizen Investment trust	2.61	1.90	1.78	1.97	2.04
NIDC Capital Market	1.28	0.92	1.04	1.23	-

Source: Annual report

The operating income/expenditure ratio has gone beyond the two limit twice in the first reference year and last reference year respectively. This ratio indicates that how many times of expenditure has been contributed from the income. In every year the difference has not been so much significant so we can say that it is not fluctuating rapidly.

In the year 2063/064 the ratio of NIDC capital market is less than one due to the loss. Similarly, the ratio in all years is not great because it is just more than one that indicates not a satisfactory result.

4.1.1 NIDC's NCM Mutual Fund

The Security Exchange board had approved first mutual fund of NIDC capital market in the fiscal year 1993/94 and terminated by the end of the fiscal year 2001/02. At the time of its termination offered two options to its participants. Either to refund or to participate in another scheme to be operated and managed by NIDC capital markets ltd. in the name of "NCM Mutual Fund 059" SEBO approved this new mutual fund on Aug, 2002. The fund has 10 million units with Rs. 10 face value. Out of the total units it distributed 1.5 million units to its manager and trustee 1.33 million to the unit holder of persons mutual fund scheme and the remaining 7.17 million to the public. Performance of NCM mutual fund 2059 is given in the table.

Table-4.7

Performance of NCML Mutual Fund

(Rs. In Million)

S.N.	Particulars	Fiscal Year		
		2006/07	2007/08	2008/09
1.	Investment	110.32	123.41	156.49
	(a) Shares/Debenture	84.43	95.88	127.95
	(b) Government bond	10.00	10.00	10.00
	(c) Bank Deposit	15.89	8.83	18.54
2.	Number of Invested Company	29	31	35
3.	Net Income	2.138	9.50	9.19
	(a) Dividend in Shares	1.62	2.16	1.82
	(b) Interest in Government on Bond/Debenture	0.028	0.77	0.69
	(c) Bank Interest	0.49	0.61	0.34
	(d) Income from sales of shares	-	5.96	6.34
4.	Net Assets Value	105.69	118.02	144.93
5.	Outstanding Units (In thousands)	10,000	10,000	10,000
6.	Net Assets Value per unit (Rs.)	10.57	11.80	14.49
7.	Number of unit holder	2882	2882	2559
	(a) Institutional	19	19	20
	(b) Individual	2863	2863	2539
8.	Dividend (%)	5	5	5

Source: Security Exchange Board of Nepal

As reported by NIDC capital markets ltd. Total investment of the fund reached to Rs. 156.49 million by the end of the fiscal year 2008/09 and the net assets value (NAV) increased to Rs. 144.93 million. Total of unit holders of the fund as the end of the fiscal year 2008/09 is 2559 consisting of individual and institutions

This fund has been listed in the stock exchange. The market price of each unit at the end of the fiscal year 2009/10 was quoted at Rs. 10. As per the reporting of the NIDC capital markets ltd. NAV per unit of the fund is Rs. 18.91.

4.1.2 CIT Mutual Fund

Citizen Investment trust is also actively participated in mutual funding. Basically it has started its mutual fund from 2004/005. The detail of the mutual funding is as following.

Table-4.8

Performance of Citizen Unit scheme

S.N.	Particulars	Fiscal Year				
		2004/05	05/6	06/7	07/8	08/9
1	Total amount of unit sold (Rs. in million)	336.78	645.26	837.47	1003.87	1215.62
2.	Total amount of unit repurchased (Rs. in million)	110.63	280.62	432.15	526.27	702.23
3.	Investment (Rs. in million)	236.40	371.50	414.43	417.04	531.40
	(a) Government Bond	59.65	119.50	188.00	182.00	176.00
	(b) Bank Deposit (fixed)	100.00	130.00	96.50	92.00	108.00
	(c) Share/Debenture	6.75	10.50	15.43	26.54	31.40
	(d) Loan Advances	70.00	111.50	114.50	116.50	216.00
4.	Net Income	19.90	35.26	37.40	36.26	42.12
5.	Dividends (%)	9	8.5	8	7	7
6.	Number of Unit Holders	6270	8299	9087	9871	10813

Source: Security Exchange Board of Nepal

As reported by CIT, by the end of the fiscal year 2008/09, it sold units amounting to Rs. 1215.62 million and repurchased the units amounting to Rs. 702.53 million. Additional sale of the scheme in this fiscal year is Rs. 45.49 million. By the end of this fiscal year, its total investment is Rs. 531.40 million and the profit of the scheme in this fiscal year is Rs. 42.12 million. The total number of participants of the scheme reached to 10813. In this fiscal year the scheme distributed 7 percent dividend to its holders.

4.2 Presentation and analysis of primary data

For the meaningful research basically secondary and primary data are very important and fundamental thing too. The primary data is collected on the basis of a questionnaire spread over to different financial sectors. the basis purpose of the distributing the questionnaire was to obtain a knowledge on the various aspects of the mutual fund, especially the view point of financial executive, lecturer and investor as how to they regard the mutual fund in a capital market.

4.3 General status of Mutual fund investment in Nepal

General status of mutual fund investment in Nepalese mutual fund Company's analysis of awareness level, information system, perception, company environment indicates the company's position. It shows that the companies are in a better position to identify its strength and weaknesses or opportunities or threats. Six point likert type scale was used to gather the information, thus mean score above 3-6 shows voting into positive side while mean score 1-3 shows voting into negative side in certain item. In the same way, standard deviation was used to know the fluctuation in responses. The high variation of responses indicates that some of the respondents are strongly agree while many others are strongly disagreed. In such situation, it becomes very difficult to make a generalization.

For research purpose, twenty six variables were designed to know the overall performance of the companies. The following table presents the descriptive results of mutual fund companies.

Table 4.9

Descriptive statistics of Mutual fund Investment in Nepal

Variables	N	Mean	Std. Deviation
Investors know mutual fund	62	3.8548	1.22604
Mutual Fund management is successful to understand investor's objective	62	3.0645	1.34129
Investment in Mutual Fund appeared as a successful	62	3.1452	1.19900

scheme in Nepalese capital market			
Newspapers are the media of Mutual Fund information	62	3.1613	1.40483
Radio, Television is medias of Mutual Fund information	62	3.9194	1.20516
Internet is the media of Mutual Fund information	62	3.7097	1.13639
NIDC Capital Market is the source of Mutual Fund information	62	4.4355	1.48899
Security Exchange Board is the source of Mutual Fund information	62	4.2903	1.51914
There is needed to extend the Mutual Fund companies outside the valley	62	4.5806	1.24858
Employees should be trained to increase the performance of Mutual Fund	62	4.8548	1.06889
Mutual Fund companies are able to minimize the risk in investment	62	4.6452	1.10285
Mutual Fund companies can help to diversify the investment to minimize the risk	62	4.8387	1.27000
It is very hard to find out attractive investment opportunities in Nepal	62	2.7581	1.61637
Investors heard about Mutual Fund	62	4.3871	1.23281
There is positive relationship between share market and Mutual Fund	62	5.0484	.91306
Investors know each aspect of Mutual Fund	62	2.3226	1.25155
Market information system affects in effectiveness of NIDC capital market	62	4.5000	1.15588
Human resource strength affects in effectiveness of NIDC capital market	62	5.0000	1.02430
Past trend of mutual fund affects in development of Mutual Fund	62	4.6129	1.25913
Mutual Fund companies contribute to develop capital market	62	3.2258	1.27291
Limited information collection and use affects in effectiveness of NIDC	62	4.3710	1.13418
Technological advancement affects in development of	62	3.2742	1.49501

Mutual Fund			
Political environment is suitable to develop the Mutual fund investment in risk less area	62	2.6290	1.25755
Mutual Fund investment is the great opportunities to invest in risk less area	62	5.6613	6.81835
Nepalese economic environment is favorable to develop Mutual Fund investment	62	4.5968	1.23421
Mutual Fund investment companies should invest collected Fund in foreign securities	62	4.6129	1.47498
Valid N (list wise)	62	-	-

Source : Appendix-2

Above table shows the clear picture of descriptive result of all the variables of Mutual fund investment. The table presents that the most of the items scored above average. Only the item 'it is very hard to find out attractive investment opportunities in Nepal', 'investors know each aspect of Mutual fund', and 'political environment is suitable to develop the Mutual fund investment in risk less area' scored below the average (i.e. 2.7581, 2.3226 and 2.6290). It indicates the respondents were found relatively disagree with statement. In the same way, the items 'there is positive relationship between share market and Mutual fund', 'Human resource strength affects in effectiveness of NIDC capital market' and Mutual fund investment is the great opportunities to invest in risk less area' scored the average above 5. It means that the most of the respondents were highly agreed with these statements. It was found that there is positive relationship between share market and mutual fund, human resource strength affects in effectiveness of NIDC capital market and Mutual fund investment is the great opportunities to invest in risk less area, and remaining other variables scored above the average indicates that the respondents were found agreement with this statement. Instantly, average mean score of overall result stood as 4.06, which indicates that general status of Nepalese Mutual fund companies were found relatively positive.

Likewise, standard deviation of the variables of 'mutual fund investment is the great opportunities to invest in risk less area', 'Security Exchange board is the source of Mutual fund information', 'it is very hard to find out attractive investment opportunities

in Nepal', 'NIDC capital market is the source of Mutual fund information' and 'Political environment is suitable to develop the Mutual fund investment in risk less area' were found relatively high fluctuation in response in these cases, and the remaining other variables scored below average indicates that the respondents were relatively low level of fluctuation in remaining other cases.

4.4 Awareness level of investor

An attempt has been made to find out the actual level of investor awareness on mutual found system in Nepalese capital market. Therefore, the present study has been designed in five separate variables relating to different level of awareness. These variables are

-) Investors know mutual fund,
-) Mutual fund management is successful to understand investor's objectives.
-) There is needed to extend the mutual fund companies outside the valley.
-) Investors heard about mutual fund and
-) Investors know each other aspect of mutual fund. After analysis frequencies of five major variables relating to this issue issue, mean and standard deviation have been analyzed to find out the significant difference among these variables. Lastly, one sample't' test was conducted that are presented and discussed in the following parts.

Table 4.10

Awareness level of investors towards Mutual fund

Level	Investor know MF (1)		Understand investors objectives (2)		MF companies outside the valley (3)	
	Freq.	Percent	Freq.	Percent	Freq.	Percent
Strongly disagree	3	4.8	9	14.5	-	-
Disagree	6	9.7	15	24.2	5	8.1
Slightly Disagree	10	16.1	12	19.4	7	11.3
Slightly Agree	26	41.9	15	24.2	15	24.2
Agree	12	19.4	11	17.7	17	27.4
Strongly Agree	5	8.1	-	-	18	29.0
Total	62	100.0	62	100.0	62	100.0

Level	Investors heard about MF (4)		Investor know each aspect of MF (5)	
	Freq.	Percent	Freq.	Percent
Strongly disagree	1	1.6	20	32.3
Disagree	3	4.8	18	29.0
Slightly Disagree	11	17.7	12	19.4
Slightly Agree	16	25.8	9	14.5
Agree	18	19.0	2	3.2
Strongly Agree	13	21.0	1	1.6
Total	62	100.0	62	100.0

Source : Appendix-2

In this variable, respondents were as used to examine about their agreement and disagreement of the level of general awareness or introduction about mutual fund among investors in Nepalese capital market. To achieve this goal we asked the respondents to fill up the questionnaire in six point likert type scales.

Above table shows highest frequency in slightly agree level and second highest frequency in agree label. About 70% of respondents into positive side and rest 30% of total respondents into negative side. It covers 16.1 percent by slightly disagree in negative side in total and rest are in disagree and strongly disagree. So that it is clear investors know mutual fund generally in Nepalese capital market.

Mutual fund management is successful to understand investor's objective. Respondents were asked whether the management is successful to understand investor's objective or not. All the respondents self-reported in six point likert type scale (1=strongly disagree, to 6=strongly agree) are the source of data.

Above table showed the highest reporting in disagree and slightly agree. And then second highest reporting in slightly disagrees. In total more than 58.1% respondents voted into the negative side, whereas 41.9% respondents voted into the positive side. There was nobody to response in strongly agree. The respondents who were reported in positive in slightly agree, only few reported in agree, and none of them reported in strongly agree. By the above analysis we can claim that majorities of the respondents in against of this question.

In this variable respondents were asked to examine about their agreement or disagreement of the level of general perception to extent the mutual fund companies outside the valley. To achieve this goal we asked the respondents to fill up the questionnaire in six point likert type scales.

Above table shows that only around 19.4 percent respondents put their opinion into negative side and rest 80.6 percent respondents voted into the agreement side. There is the highest respondents in strongly agree and second highest in agree level and slightly agree level. So according to the result we can claim that Nepalese investor's extend the mutual fund companies outside the valley.

Respondents were asked whether the investor's heard about mutual fund or not. All the respondents self-reported in six point likert type scale (1= strongly disagree, to 6=strongly agree) are the source of the respondents are presented below in table 4.

Above table shows that only around 24.1 percent respondents put their opinion into negative side and rest 75.9 percent respondents voted into the agreement side. There is the highest respondents in agree label and second highest in slightly agree and strongly agree label. So, according to the result we can claim that Nepalese investors heard about mutual fund, but level of heard may be different.

Stratified non-probability sampling was followed to examine the level of awareness in each aspect of mutual fund. Types, Features, Objectives, advantages, disadvantages, internal and external environment, national and global position, rules and regulations are some aspects of subjects generated in six point likert type scales are the source of data.

Above table showed the highest reporting in strongly disagrees and disagree. In total more than 80.4 percent respondents voted into the negative side, whereas 19.3 percent respondents voted into the positive side. There was only one response in strongly agree. The respondents who were reported in positive in slightly agree, only few reported in agree and strongly agree. By the above analysis we can claim that majorities of the

investors could not know each aspect of mutual fund and some of them knew but not strongly and deeply.

4.4.1 Descriptive statistics of investor's awareness of mutual fund.

The survey was conducted among five variables. Self-reported attitude of the subjects generated in six point likert type scale. Mean and standard deviation of collected data were analyzed to find out the significant differences among these variables. Following table 4.1.4 shows the general descriptive of these variables.

Table 4.11

General Descriptive of investor's awareness level

Variables	N	Mean	Std. Deviation	Std. Error Mean
Investors know mutual fund (1)	62	3.8548	1.22604	.15571
Mutual Fund management is successful to understand investor's objective (2)	62	3.0645	1.34129	.17034
There is needed to extend the Mutual Fund companies outside the valley (3)	62	4.5806	1.24858	.15857
Investors heard about Mutual Fund (4)	62	4.3871	1.23281	.15657
Investors know each aspect of Mutual Fund (5)	62	2.3226	1.25155	.15895

Source: Appendix-2

Above table showed the high fluctuation in mean slightly differences in standard deviation among five variables. Present data shows high level of "There is needed to extend the mutual fund companies outside the valley" and low level of "Investors know each aspect of mutual fund". The highest mean and lowest standard deviation proved that "investors know about mutual fund" was high among other variables. However, the lowest mean and highest standard deviation of "Investors know each aspect of mutual fund" and " Management is successful to understand investor's objectives" showed low level of agreement.

4.4.2 One-Sample Test of Investors Awareness in Mutual Fund

An issue appeared whether these five variables are significantly different among each other. To resolve this issue, one sample't' test has been conducted among five variables. If the result showed high mean differences and significant" t" statistics, it can be referred statistically different. The following table showed the result of one sample't' test with mean differences, 't' value, degree of freedom, and two tailed significance.

Table 4.12

One- sample test of investors awareness in Mutual fund

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Differ-ence	Lower	Upper
Investors know mutual fund (1)	24.757	61	.000	3.8548	3.5435	4.1662
Management is successful to understand investor's objective (2)	17.990	61	.000	3.0645	2.7239	3.4051
There is needed to extend the Mutual Fund companies outside the valley (3)	28.887	61	.000	4.5806	4.2636	4.8977
Investors heard about MF (4)	28.020	61	.000	4.3871	4.0740	4.7002
Investors know each aspect of Mutual Fund (5)	14.612	61	.000	2.3226	2.0047	2.6404

Source: Appendix-2

Result showed high 't' statistics in the variable of " There is needed to extend the mutual fund companies outside the valley" moderate in " investors know mutual fund" and low' t' statistics in " investors know each aspect of mutual fund. It is statistically significant at more than 99 percent level of confidence. Above table showed the high fluctuation and slightly differences in mean among these five. There are slight differences albeit significant, in mean of variable 3 and 4 and high fluctuation between variable 3 and 5.

4.5 Information system for Mutual fund

Stratified non-random sampling survey among the sample respondents was followed to examine the effective Medias of mutual fund information. Five variables were included in the questionnaire to know the information media for mutual fund. In which radio, television, newspaper, internet, NIDC capital marked and security exchange board have taken as the means of information. Frequencies of three variable mean and standard deviation of information system of mutual fund have been analyzed to five out the significant difference among these variable. Lastly, one sample't' test was conducted mean differences among the variables. All the result are presented and discussed in the following part.

Table 4.13

Information system for Mutual fund in Nepal

Level	Newspaper are the media of MF (6)		Radio T.V is medias of MF (7)		Internet is the media of MF (8)	
	Freq.	Percent	Freq.	Percent	Freq.	Percent
Strongly disagree	9	14.5	5	8.1	2	3.2
Disagree	15	24.2	3	4.8	8	12.9
Slightly Disagree	9	14.5	8	12.9	15	24.2
Slightly Agree	15	24.2	22	35.5	18	29.0
Agree	14	22.6	24	38.7	19	30.6
Strongly Agree	-	-	-	-	-	-
Total	62	100.0	62	100.0	62	100.0

Level	NIDC capital market is the source of MF (9)		Security exchange board is the source of MF (10)	
	Freq.	Percent	Freq.	Percent
Strongly disagree	4	6.5	2	3.2
Disagree	4	6.5	12	19.4
Slightly Disagree	6	9.7	1	1.6
Slightly Agree	13	21.0	13	21.0
Agree	17	27.4	19	30.6
Strongly Agree	18	29.0	15	24.2
Total	62	100.0	62	100.0

Source : Appendix-2

Respondents were asked about their agreement or disagreement on the statement" newspapers are the media of mutual fund information". They have responded in six point likert type scale and the results are presented in table.

Above table shows highest frequency in Disagree label and slightly agree label, Second highest in agree label and third highest in strongly Disagree and slightly disagree label. In total, more than 53.2 percent respondents voted into disagree side, so that is clear that paper media doesn't contribute news coverage on mutual fund. Thus, News papers does not play vital role in mutual fund information system in present context.

It was asked to find out whether the radio-television are the effective or significant information system of mutual fund for Nepalese mutual fund investors or not? The statement was "radio televisions are the information system of mutual fund". The results collected from the respondents are presented in the following frequency table.

Above table shows a clear picture that most of the respondents accept radio television as the media of mutual fund information. Above table shows highest reporting in agree, second highest in slightly agree and then third highest reporting in slightly disagree. Above 74.2 percent of respondents responded into agreement side, whereas only about 25.8 percent respondents responded into disagreement side, comparative it is higher than paper media. Therefore, it is an effective media of mutual fund information for Nepalese mutual fund investors. In another words, radio-television must have play a vital role to give information to Nepalese mutual fund investors.

Respondents were asked whether the Internet is the media of mutual fund information or not. For this purpose, a statement was asked to present their agreement or disagreement towards" Internet is the media of mutual fund information".

Above table showed highest frequencies in agree label and second highest frequency in slightly agree label. In total, more than 59.6 percent respondents voted into the agree side, whereas only about 40.4 percent respondents voted into the negative side. So, agree label comprises 3.6 percent that was the highest one and other side move 59.6 percent

respondents voted into the agreement side. So it is clear that internet is the source of mutual fund information.

Respondents were asked whether the NIDC capital market is source of mutual fund information to state their agreement or disagreement. The statement was "NIDC capital market is the source of mutual fund information". They have responded in six points. Likert type scale.

Above table showed highest frequency in strongly agree label and second highest frequency in agree label. In total, more than 7704 percent respondents voted into the agree side, whereas 22.6 percent respondents voted into the negative side. So, strongly agree comprised 29 percent that was the highest among all the alternatives. In one side this highest one and other side more than 77.4 percent respondent voted into the agreement side. So that it is clear that NIDC capital market is the major source of mutual fund information.

A statement was administered to find out whether security Board is the significant source of mutual fund information for Nepalese mutual fund investors or not. The statement was" Security board is the source of mutual fund information."

Above table showed clear picture that respondent generally accepted security exchange board as the source of mutual find information. Out of total respondents, only 24.2 percent respondents voted into the negative side and rest 75.8 percent voted into the positive side. Comparatively, this source was found weaker than the NIDC. Therefore, it can be concluded that security exchange board is also a significantly important source of information for the Nepalese mutual fund investors.

4.5.1 General descriptive of mutual fund information

Following table 4.3.6 shows the mean, standard deviation and standard error of five statements asked to the respondents to find out the major source of mutual fund information to them.

Table 4.14

General Descriptive of Mutual Fund Information

	N	Mean	Std. Deviation	Std. Error Mean
Newspapers are the media of Mutual Fund information (6)	62	3.1613	1.40483	.17841
Radio, Television is medias of Mutual Fund information (7)	62	3.9194	1.20516	.15306
Internet is the media of Mutual Fund information (8)	62	3.7097	1.13639	.14432
NIDC Capital Market is the source of Mutual Fund information (9)	62	4.4355	1.48899	.18910
Security Exchange Board is the source of Mutual Fund information (10)	62	4.2903	1.51914	.19293

Source: Appendix-2

Above table shows a clear picture that highest mean of "NIDC capital market is the source of mutual fund of information". Radio-television is level media of mutual fund information for Nepalese investors. Highest mean and lowest standard deviation are shown in "NIDC capital market" and "Internet" is as a media of information.

4.5.2 One-Sample test of mutual fund information system

An issue appears whether these variables are significantly different among each other. To resolve this issue one sample't' test has been conducted among three variables. If the result show high mean differences and significant, statistics, it can be referred statistically different. The following table shows the result of one sample't ' test with mean difference't' value, degree of freedom and two-tailed significance.

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Table 4.15

One-Sample Test of Mutual fund information system

	Test Value = 0				95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Newspapers are the media of Mutual Fund information (6)	17.719	61	.000	3.1613	2.8045	3.5181
Radio, Television is medias of Mutual Fund information (7)	25.607	61	.000	3.9194	3.6133	4.2254
Internet is the media of MF information (8)	25.704	61	.000	3.7097	3.4211	3.9983
NIDC Capital Market is the source of Mutual Fund information (9)	23.456	61	.000	4.4355	4.0574	4.8136
Security Exchange Board is the source of Mutual Fund information (10)	22.238	61	.000	4.2903	3.9045	4.6761

Source: Appendix-2

Result shows high't' statistics in the variable of "Internet is the media of mutual fund of Information" and low't' statistics in "newspapers are the media of mutual fund information". It is statistically significant at 0.01 level of significance. Above table shows the high fluctuation and slightly differences in mean among variable 7 and 8 and 9 and 10 but high fluctuation between variable 6 and 8.

All the above analysis shows that paper and electronic media (newspapers, radio, television, and internet) have not played an effective role to inform the investors about

mutual fund. They are not good Medias of mutual fund information. NIDC capital market seemed relatively better information source of mutual fund information.

4.6 Perception towards mutual fund

An attempt has been made to find out perception towards mutual fund in Nepalese capital market. An attempt was made to find out the actual relationship between individual perception and mutual fund present study was designed a questionnaire to assess the affect of investors perception in development of mutual fund. All the results are analyzed and presented in the following part.

Table 4.16

Investors perception towards Mutual fund

Level	Hard to find out attractive investment in Nepal (11)		Cornpones should invest collected fund in foreign securities (12)		Are able to minimize the risk in investment (13)	
	Freq.	Percent	Freq.	Percent	Freq.	Percent
Strongly disagree	18	29.0	2	3.2	-	-
Disagree	14	22.6	4	6.5	4	6.5
Slightly Disagree	11	17.7	9	14.5	6	9.7
Slightly Agree	8	12.9	12	19.4	10	16.1
Agree	6	9.7	9	14.5	30	48.4
Strongly Agree	5	8.1	26	41.9	12	19.4
Missing	-	-	-	-	-	-
Total	62	100.0	62	100.0	62	100.0

Level	Diversify the investment to minimize the risk (14)		Great opportunities to invest in risk less area (15)	
	Freq.	Percent	Freq.	Percent
Strongly disagree	2	3.2	-	-
Disagree	1	1.6	-	-
Slightly Disagree	9	14.5	6	9.7
Slightly Agree	2	3.2	15	24.2
Agree	27	43.5	25	40.3
Strongly Agree	21	33.9	15	24.2
Missing	-	-	1	1.6
Total	62	100.0	62	100.0

Source : Appendix-2

Respondents were asked to examine whether" it is very hard to find out attractive investment opportunities in Nepal. Self-reported attitude of the subjects generated in six point likert type scale were the source of data.

Above table showed the highest and second highest reporting in strongly disagrees and disagree label. In total, more than 69.3 percent respondents voted into the disagreement side and rest 3.7 percent respondents voted into the agreement side. So it is clear that it is not very hard to find out the attractive investment opportunities in Nepal.

Respondents were asked about their agreement and disagreement on mutual fund investment companies should invest collected fund in foreign securities. Total 62 respondents had responded in six point likert type scale.

Above table showed the highest frequency in strongly agree label, the second highest in slightly agree label, and third highest in agree and slightly disagree label. More than 75.8 percent respondents responded into the agreement side and rest 24.2 percent respondents voted into the disagreement side. So it can be concluded that most of the investors wants to invest collected fund in foreign securities.

In this variable, respondents were asked to supply their opinion of risk on the development of mutual fund. These have been high risk and high gain in security market and low risk and low gain in Mutual Fund, when we analyzed other countries issue. The results are presented in the following frequency table.

Above table showed the clear picture that more than 83.9 percent respondents responded into the agreement side and rest 16.1 percent respondents voted into the disagreement side. The highest frequency is agree label, second highest frequency in strongly agree label and third highest in slightly agree label. So, it can be claimed that mutual fund companies are able to minimize the risk in investment.

One statement was designed to find out whether mutual fund companies can helps to diversify the investment to minimize the risk. The statement was" mutual fund companies can help to diversify the investment to minimize the risk". Risk aversive attitude of investors played role in investment and development of mutual fund in Nepalese capital market. In this variable, respondents were asked to supply their agreement and disagreement in the given statement.

Above table showed clear picture that respondents generally accepted that the mutual fund companies can help to diversify the investment to minimize the risk. However, only 19.4 percent respondents voted into the negative side and rest 80.6 percent respondents voted into the positive side. Therefore, it can be concluded that mutual fund companies can helps to diversify the investment to minimize the risk.

Investigation was made to find out mutual fund investment in the great opportunities to invest in risk less area or not. How far respondents agree on" Mutual fund investment is the great opportunities to invest in risk less area" was the statement asked to the respondents.

Above table showed highest frequency in agree label and second highest in strongly agree and slightly agree label. In total, more than 88 percent respondents voted into the agreement side whereas only 11.3 percent respondents voted into disagreement side. So, agree comprised 40.3 percent that were the highest among all the alternatives and slightly agree and strongly agree comprised 24.2 percent that were the second highest among all the alternatives. So, it is clear that mutual fund investment is the great opportunities to invest in risk less area.

4.6.1 General descriptive of perception towards mutual fund.

There are five variables designed to assess the perception towards mutual fund. Instrument was self-reported measure designed in six point likert type scale mean and standard deviation of the variables used to assess the perception towards mutual fund.

Table 4.17

General descriptive of perception towards Mutual fund

	N	Mean	Std. Deviation	Std. Error Mean
It is very hard to find out attractive investment opportunities in Nepal (11)	62	2.7581	1.61637	.20528
Mutual Fund investment companies should invest collected Fund in foreign securities (12)	62	4.6129	1.47498	.18732
Mutual Fund companies are able to minimize the risk in investment (13)	62	4.6452	1.10285	.14006
Mutual Fund companies can help to diversify the investment to minimize the risk (14)	62	4.8387	1.27000	.16129
Mutual Fund investment is the great opportunities to invest in risk less area (15)	62	5.6613	6.81835	.86593

Source: Appendix-2

Above table showed highest mean and highest standard deviation of "mutual fund investment is the great opportunities to invest in risk less area " and second highest mean and lowest standard deviation can be observed in the variable" mutual fund companies are able to minimize the risk in investment. It is very hard to find out the lowest investment opportunities in Nepal was found the lowest in term of mean among five variables that proves the. It is not very hard to find out attractive investment opportunities in Nepal.

4.6.2 One-Sample test of perception towards Mutual fund

An issue appears whether these five variables were significantly different among each other. Using one sample't' test statistically tests all these variables .High mean differences, high't' statistics. And two-tailed significance refers that there is significant difference among these variables. The following table showed the result of one's ' test with mean differences,'t' value, degree of freedom and two-tailed significance.

Table 4.18

One-Sample test of perception towards mutual fund

	Test Value = 0					
			Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
	t	df			Lower	Upper
It is very hard to find out attractive investment opportunities in Nepal (11)	13.436	61	.000	2.7581	2.3476	3.1685
Mutual Fund investment companies should invest collected Fund in foreign securities (12)	24.625	61	.000	4.6129	4.2383	4.9875
Mutual Fund companies are able to minimize the risk in investment (13)	33.165	61	.000	4.6452	4.3651	4.9252
Mutual Fund companies can help to diversify the investment to minimize the risk (14)	30.000	61	.000	4.8387	4.5162	5.1612
Mutual Fund investment is the great opportunities to invest in risk less area (15)	6.538	61	.000	5.6613	3.9298	7.3928

Source: Appendix-2

Result shows high's ' statistics in the variable of " mutual fund companies are able to minimize the risk in investment" moderate in " mutual fund investment companies should invest collected fund in foreign securities" and low's' statistics in " mutual fund investment is the great opportunities to invest in risk less area". It is statistically significant at more than 99 percent level or it is statistically significant at 0.01 level of significance. Above table shows the high fluctuation in mean among five. There is high fluctuation mean between variable 3 and 5.

All the above analysis shows that investor's perception towards mutual fund is not good. In conclusion, mutual fund companies are able to minimize the risk in investment is better in views of investors and mutual fund investment is the great opportunities to invest in risk less area is less in views of investors.

4.7 Internal Environment and Mutual fund

Analysis of mutual fund external as well as internal environment factors. In this section, focus is given to internal environmental factors that affected in a first mutual fund scheme in Nepal. Now an attempt is made to find out the relationship between internal environmental factors and mutual fund. Major issues of investigation are internal system, public investment, human resource strength, marketing information system, information collection and many other internal environmental factors of mutual fund. A questionnaire was designed to find out actual status of internal environment of mutual fund system. The survey was conducted among 62 respondents. Thus, self reported attitude of the subjects generated in six point likert type scale are the source of data. All the results are presented in the following table.

Table 4.19

Descriptive Statistics of Internal environment and Mutual fund

	N	Mean	Std. Deviation
Employees should be trained to increase the performance of Mutual Fund (16)	62	4.8548	1.06889
Marketing information system affects in effectiveness of NIDC capital market (17)	62	4.5000	1.15588
Human resource strength affects in effectiveness of NIDC capital market (18)	62	5.0000	1.02430
Past trend of mutual fund affects in development of Mutual Fund (19)	62	4.6129	1.25913
Limited information collection and use affects in effectiveness of NIDC capital market (20)	62	4.3710	1.13418
Valid N (list wise)	62		

Source: Appendix-2

Above table present the clear picture of result of internal environment. The table shows that all the variables designed for study scored above the average which indicates that the most of the respondent were found agreement with the agreement with the statements. But in comparison, the respondents were found the highest level of agreement with the statement.' Human resource strength affects in effectiveness of NIDC capital market (i.e. 5000) and found the lowest level of agreement with the statement 'Limited information collection and use affects in effectiveness of NIDC capital market. (i.e.4.3710). The remaining other variables appeared in between two. Similarly, the mean score of 4.6678, which indicates the internal environment of mutual fund companies, was found to be good. It is also concluded that the result seen above was not found in so satisfactory level. Thus, the management should improve their quality for the effective management.

In the same way, the result also shows that the standard deviation of all the variables stood above the average. It indicates that the responses were found high fluctuation in responses in above cases.

4.8 External Environment and Mutual fund

External Environment forces can also influence mutual fund. Technological environment, political environment, economic environment are the major issues of this investigation. Technological changes affected highly in manufacture, trade, business, transportation, administration, etc. Economic environment influenced all of the sectors of national life. Political instability also affects the development of mutual fund. Analysis was made to find out mean and standard deviation to find out the relationship between external environment and mutual fund. Table shows the general descriptive of this component of mutual fund in Nepalese capital market.

Table 4.20

Descriptive Statistics of external environment and Mutual fund

	N	Mean	Std. Deviation
Technological advancement affects in development of Mutual Fund (21)	62	3.2742	1.49501
Political environment is suitable to develop the Mutual fund investment in risk less area (22)	62	2.6290	1.25755
Nepalese economic environment is favorable to develop Mutual Fund investment (23)	62	4.5968	1.23421
Valid N (list wise)	62		

Source: Appendix-2

Above table shows the clear picture of descriptive result of all the variables of external environment. Highest mean and lowest standard deviation of the variable "Nepalese economic environment is favorable to develop mutual fund investment" and highest mean but high standard deviation of variable "Technological advancement affects in development of mutual fund". Last mean and high standard deviation of "political environment is suitable to develop the mutual fund investment in risk less area" most of he mean are below the average and most of the standard deviation are higher than the average. It means that external environment affects in development of mutual fund investment.

4.9 Capital market and Mutual fund

An attempt has been made to explain the external environmental factors related to Nepalese mutual fund. The interrelationship between Nepalese mutual fund and those environment factors is also an important matter. It is necessary to explore whether the mutual fund companies contributed in the development of Nepalese capital market or not. In investor's perception the mutual fund has appeared as a successful scheme in Nepalese capital market or not. Three special statements were included in the questionnaires to find out the respondents agreement and disagreement on above stated aspects. All the results were presented and discussed in the following part. Mean and standard deviation of three variables relating to the contribution and its success of mutual fund in Nepalese capital market are presented in the following table.

Table 4.21

Descriptive Statistics of capital market and Mutual fund

	N	Mean	Std. Deviation
Investment in Mutual Fund appeared as a successful scheme in Nepalese capital market (24)	62	3.1452	1.19900
There is positive relationship between share market and Mutual Fund (25)	62	5.0484	.91306
Mutual Fund companies contribute to develop capital market (26)	62	3.2258	1.27291
Valid N (list wise)	62		

Source: Appendix-2

Above table shows a clear picture that all variables have low mean and high standard deviation than average vales. Result showed highest mean of "There is positive relationship between share market and mutual fund" and lowest mean of "Investment in mutual fund appeared as a successful scheme in Nepalese capital market". All of these variables appeared low in mean and standard deviation. It proved that the contribution in development of Nepalese capital market not it appeared as a successful scheme in Nepalese capital market but there is positive relationship between share market and mutual fund.

4.10 Qualitative analysis

a) Problems and obstacles of mutual fund

Two subjective questions were designed in the questionnaire at the end of the structured questionnaire. All of the questions were designed to find out the real issues in Nepalese capital market, and some suggestion to improve the mutual fund system in Nepal. The results produced in qualitative analyses are presented in the following part.

Problem appeared in mutual fund investment respondents were asked to provide their opinion on the policy or system related issues in Nepalese mutual fund investment. Out of total eighteen said political instability, twelve said lack of knowledge, ten said weak regulatory body, twelve said lack of public awareness and ten said traditional business system. In summary, clear contents collected from most of the respondents were related to political instability in a country. Therefore, respondents identified that lack of political stability mutual fund in Nepal victimized.

b) Fundamental things for good mutual fund practice.

Respondents were asked to find out the fundamental things for good mutual fund practice. Out of 62 only 60 responded the issue and 2 were missing out of them 29 specified in capital market, 15 identified in regulatory provision, 16 identified in environment and 2 were missing. Thus, in total most important area was identified as the capital market to uplift the mutual fund system in Nepalese capital market.

c) New sources to improve mutual fund performance

Respondents were asked to recommend the new sources of mutual fund investment out of 62 respondents all respondent responded the issue out of them 20 recommend Banking sector, 15 recommend Hydro power sector, 10 recommend Air lines sector, 5 recommend tourism sector and 6 recommend education sector. Thus, in total, most important area was banking sector to uplift the mutual fund system in Nepalese capital market.

4.11 Relationship among various aspects of mutual fund

Correlations analysis represents the statistical technique for identifying the degree of relationship between two variables. It is the tool generally used to analyze to nature and

degree to which one variable is related to another. Karl Pearson's coefficient of correlation is a widely accepted method for the correlation analysis that finds the coefficient of correlation.

a) Relationship of awareness level and perception towards mutual fund

Awareness level of investors directly affects the perception of investors towards Mutual fund practice

Table 4.22

Relationship between awareness level and perception

		Awareness Level	**Perception**
Awareness Level	Pearson correlation	1	0.076
	N	62	62
Perception	Pearson correlation	0.076	1
	N	62	62

Source: Appendix-2

Above table represents the correlation coefficient between awareness level and investors perception towards Mutual fund during study period. The calculated Pearson's correlation coefficient was found 0.076, which shows low degree of correlation. It indicates that investors awareness and perception was found low related with each other. That means, increasing awareness helps to increase the perception whereas decrease in awareness level decreases in investor's perception similarly.

b) Relationship between information system and perception

Information system directly affects the awareness level of investors towards Mutual fund practice.

Table 4.23

Relationship between information system and perception

		Information system	**Perception**
Information system	Pearson correlation	1	0. 237
	N	62	62
Perception	Pearson correlation	0. 237	1
	N	62	62

Source: Appendix-2

Above table represents the correlation coefficient between information system and awareness level of investors during study period. The calculated Pearson's correlation coefficient was found 0.347, which shows low degree of correlation. It indicates that information system and awareness level were found low related with each other. That means, increasing information system helps to increase the awareness level of investors whereas decrease in information system decrease in awareness level of investors similarly. Coefficient of determination was found to be 0.12049 which indicates that 12.04% of total change in awareness level has been determined by the information system.

c) Relationship between information system and awareness level

Information system directly affects the perception of investors towards Mutual fund practice.

Table 4.24

Relationship between information system and awareness level

		Information system	**Awareness level**
Information system	Pearson correlation	1	0. 347
	N	62	62
Awareness level	Pearson correlation	0. 347	1
	N	62	62

Source: Appendix-2

Above table represents the correlation coefficient between information system and investors perception towards Mutual fund during study period. The calculated Pearson's correlation coefficient was found 0.237, which shows low degree of correlation. It indicates that information system and investors perception were found low related with each other. That means, increasing information system helps to increase the perception of investors towards Mutual fund where as decrease in information system decrease in perception towards Mutual fund similarly. Coefficient of determination was found to be 0.05616 which indicates that 5.61% of total change in investor's perception has been determined by the information system.

4.12 Findings of the study

This research turned out very successful in finding the results that are consistent to theoretical assumption. The finding showed that investor awareness level about mutual fund is very weak and that effectiveness of awareness programs carried out by concerned agencies is meager as well.

- o Current Ratio of both companies is not good due to the lack of business environment in Nepal.
- o Company should maintain & effective capital structure.
- o Profitability of both companies is satisfactory.
- o Total investment to total assets ratio is found to be quite low now a days in these companies.
- o Most of the investors have heard about mutual fund that is they have some what simple knowledge about it.
- o Investors haven't been able to use media as information source of mutual fund.
- o Political environment affects the development of mutual fund investment.
- o Technological advancement has an effect over mutual fund development in Nepal.
- o Nepalese economic environment is not better for mutual fund investment.
- o Past trend of mutual fund investment affects the development of mutual fund development is Nepal.
- o Positive relation between share market and mutual fund.
- o Effectiveness of NIDC capital market highly depends on human resource strength.
- o Effectiveness of NIDC capital market depends on marketing information system.
- o Most of the respondents didn't agree that mutual fund in capital market appeared as a successful scheme.
- o Few major areas such as good regulation, proper information system and proper promotional activities were found as the major aspects to the developed for the conductive mutual fund system in Nepal.

CHAPTER-5

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

The major objective of this study was to investigate existing environment for mutual fund investment in Nepalese capital market. Focus was given to explore the existing situation and to identify appropriate strategies for mutual fund investment in Nepal. This study intended to comprehend awareness level of investors about mutual fund to assess, effectiveness of awareness programs conducted by authorities to assess general business environment of mutual fund, to examine the internal system of existing mutual fund system and to investigate some appropriate measure for future in developing mutual fund system in Nepal.

The research has stressed enough to assess business environment for mutual fund and interlink between mutual fund and factors of its internal environment. Investigation is seriously done to draw same pertinent measures for the development of mutual fund in Nepal.

Many specific aspects of existing environment for mutual fund investment in Nepalese capital market were explored in course of research. The summary of thus exploration is discussed in the following section.

Most of the investors have heard about mutual fund that is they have same what simple knowledge about it. But they showed up in disagree level regarding knowledge about its each aspect, it means that they in general lack meticulous knowledge about mutual fund.

An attempt was made to find out the actual relationship between individual perception and mutual fund. Most of the respondents are is positive side. Mean value of each components are higher than the average. Which means that perception towards mutual fund of investors is is satisfactory condition except "It is very hard to find out attractive investment opportunities in Nepal" components.

Media of any kind seemed hardly active and effective in disseminating adequate information about mutual fund. Even though media has a tremendous role in promoting mutual fund investment the practice as such couldn't be perceived, In Nepalese context, neither print nor electronics nor web has given perceptible room to mutual fund issues. So, investors haven't been able to use media as information source of mutual fund. Respondents in this research have generally opined in disagree level regarding media coverage of mutual fund.

This research also studied how far effective mutual fund related persons and organizations are as information source for investors. The research reckons a fact that both organizations and person related to mutual fund are major information givers.

NIDC capital market came out the largest information source about mutual fund. Most of the respondents answered in agree level about NIDC's role in information dissemination. Next to NIDC in this job are brokers and security board. All these five sides together are far effective than media in regard to information about mutual fund.

This chapter focuses on internal environmental factors of mutual fund. Mutual fund under NIDC capital market and CI T investment trust. Different variables were designed with in this concern.

The research has proved that major activities of mutual fund affect its public investment. Respondents forwarded positive vote in agree level.

- Effectiveness of NIDC capital market highly depends on human resource strength. This conclusion is drawn through maximum mean value in human resources strength affects in effectiveness of NIDC capital market.
- Negligible number of respondents viewed opposite concerning role of marketing system for effectiveness of NIDC capital market. Respondents agreeing the statement appeared in mean value of descriptive statistics.

) As majority of respondents put their opinions positively and the average vote remained in agree level, it become clear to the researchers that past trend of mutual fund investment affects the development of mutual fund.

) The research has clarified the inter-link between information management (collection and use) and effective of NIDC.

External environmental forces can also influence mutual fund technological environment, political environment economic environment are the major issues of this investigation.

The research has concerned whether political environment is suitable to develop the mutual fund investment in risk less area mean value of this statement is very low and it concludes that political environment is not suitable mean value of economic environment is greater than other two statements. Slightly we can say that Nepalese economic environment is suitable than other two external environmental forces i.e. Technological environment and political environment.

The interrelationship between Nepalese mutual fund and those environmental factors is also an important matter. It is necessary to explore whether the mutual fund contribution in the development of Nepalese capital market or not.

) Must of the respondents didn't agree that mutual fund in capital market appeared as a successful scheme. Their opinion appeared in slightly disagree level, this shows that mutual fund has not as yet proved itself a successful scheme in Nepalese capital market.

) Most of the respondents responded is favor of positive relationship between share market and mutual fund and little bit contribution of mutual fund is seen by the help of mean value.

In summary finding of the present research are meaningful for academicians, practitioners, brokers, bureaucrats and investors. Researches can further explore the area to find out the existing environment for mutual fund investment in Nepalese capital market. All the practitioners, brokers and bureaucrats can find very important findings from this study so that they can follow new strategy in future.

5.2 Conclusion

The research has had its objective fulfilled. The chief objective was to investigate existing environment for mutual fund investment in Nepalese capital market. The research was focused on exploring existing situation and identifying appropriate strategies for mutual fund investment in Nepal. The research managed to explore existing situation by identifying awareness level of investors about mutual fund and likewise assessing general business environment with deep examining of its internal system.

Other target of he research was t some appropriate measures for the development o mutual fund system in Nepal for this, we studied through the viewpoint pf awareness about mutual fund. Similarly we found hat mass media has little role to facilitate the investors with information. Investors were rather found to be using NIDC capital market, citizen investment trust, security Board and brokers as the sources o mutual fund information.

5.2.1 Awareness level of investors about mutual fund in Nepal.

On the ground of findings it could be concluded that investors lack deep information about mutual fund. They know what they come to hear casually, that is just general knowledge.

5.2.2 The effectiveness of awareness program of concerned agencies

The research provided a conclusion that regarding mutual fund media hasn't played the role of information giver even in a minimum level. Print media is giving some what comparatively but electronics and web have entirely neglected. The reason could be either that either media itself is neglecting knowingly or originations haven't been able to utilize media.

The role of informant for mutual fund investors has been satisfactory played by NIDC capital market, citizen investment trust, security board and stock brokers. The most effective is NIDC capital market and then CIT, security board and the brokers respectively.

In all, the research has concluded that NIDC capital market, CIT security board and brokers are far more effective than media in availing investors of information about mutual fund.

5.2.3 The general business environment for mutual fund system in Nepal.

A good many significant findings have been discerned through the research. One of the most important findings was that there is positive and subtle relation between share market and mutual fund. Similarly, politics has intense impact on mutual fund development. As for technological advancement, HR factors, marketing information system, seem to effect at all. Past trend of mutual fund too came out as another major aspect of effect.

5.2.4 The internal system of existing mutual fund in Nepal.

As a significant achievement of the research. It is found that internal system of mutual fund, strategies it follows and its major activities has massive effect in public investment. In the hierarchy of effect are strategies, major activities and internal system respectively. Various behavior of NIDC capital market and citizen investment trust too has normal effect. Other factors like human resource strength, marketing system, past trend and information collection and use also have effect in respective order.

A striking conclusion of the research is that mutual fund hasn't been able to ever discharge minimum contribution for the development of Nepalese capital market didn't ever agree that mutual fund is a successful scheme.

5.2.5 Mutual fund Problem and major issues.

Based on the previous findings of Qualitative analysis it can be concluded that most pertinent issue is related to political instability, luck of awareness, lack of knowledge. Similarly, the areas to be developed were identified as regulatory system and information system.

5.3 Recommendation

The above presented study appeared as a successful research work that explored the existing situation and identified appropriate strategies for mutual fund investment in Nepal. All areas that we studied came out quite related to mutual fund and provided the researcher various significant findings of which implications and limitations are stated below. The researcher has also tried to put forth some suggestions for the well being of mutual fund investment.

5.3.1 Some suggestion and recommendation.

- Organizer should duly inform investors about mutual fund with ample use of print and electronic media.
- Organize should build a well-facilitated web-site for instant and detailed information.
- Appropriate political environment and positive attitude political sector are quite essential for the development of mutual fund.
- Internal system, strategies and Major functions should be bought to improvement for developing existing NCM mutual fund.
- Mutual fund manager should invest the collected fund in different sectors and have to maintain proper portfolio.
- Improvement of human resource, marketing information system and information management is needful for the development of mutual fund.
- Both capital market and national economy should be strong to sustain investment companies like mutual fund.
- Mutual fund Managers and capital market should give small investors more importance because respondents identified small invertors as the most important cluster among the investors group in mutual fund in Nepal.
- Special focus is to gives in formation of appropriate regulatory systems, suitable information dissemination system and effective promotion system for the development of mutual fund in Nepalese capital market.

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Appendix-1

QUESTIONNAIRE FOR PRIMARY DATA ANALYSIS

		Strongly Disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly Agree
Dear all, *The purpose of this study is to access the performance of Mutual Fund. The information supplied will be used only for the study purpose and high level of secrecy will be strongly maintained. Please read the following statement and circle at the appropriate number that comes closest to your opinion.* *Thank you for your cooperation.* *Regards.* *Manoj Basnet*							
1.	Investors know Mutual fund.	1	2	3	4	5	6
2.	Mutual Fund management is successful to understand investors' objective.	1	2	3	4	5	6
3.	There is needed to extend the Mutual Fund companies outside the valley.	1	2	3	4	5	6
4.	Investors heard about Mutual fund.	1	2	3	4	5	6
5.	Investors know each aspect of Mutual fund.	1	2	3	4	5	6
6.	Newspapers are the medias of Mutual fund information.	1	2	3	4	5	6
7.	Radio, Television is medias of Mutual fund information.	1	2	3	4	5	6
8.	Internet is the media of Mutual fund information.	1	2	3	4	5	6
9.	NIDC capital market is the source of Mutual fund information.						
10.	Security Exchange Board is the source of Mutual fund information.	1	2	3	4	5	6
11.	It is very hard to find out attractive investment opportunities in Nepal..	1	2	3	4	5	6
12.	Mutual Fund companies should invest collected fund in foreign securities.	1	2	3	4	5	6
13.	Mutual fund companies are able to minimize the risk in investment.	1	2	3	4	5	6
14.	Mutual fund companies can helps to diversify the investment to minimize the risk.	1	2	3	4	5	6
15.	Mutual fund investment is the great opportunities to invest in risk less area.	1	2	3	4	5	6
16.	Employees should be trained to increase the performance of Mutual fund.	1	2	3	4	5	6
17.	Marketing information system affects in effectiveness of NIDC capital market.	1	2	3	4	5	6
18.	Human resource activities affects in	1	2	3	4	5	6

	effectiveness of NIDC capital market.						
19.	Past trend of Mutual Fund affects in development of Mutual Fund.	1	2	3	4	5	6
20.	Limited information collection and use affects in effectiveness of NIDC.	1	2	3	4	5	6
21.	Technological advancement affects in development of Mutual Fund.	1	2	3	4	5	6
22.	Political environment is suitable to develop the Mutual Fund investment in Nepal.	1	2	3	4	5	6
23.	Nepalese economic environment is favorable to develop Mutual Fund investment.	1	2	3	4	5	6
24.	Investment in Mutual fund appeared as a successful scheme in Nepalese capital market.	1	2	3	4	5	6
25.	There is positive relationship between share market and Mutual fund.	1	2	3	4	5	6
26.	Mutual fund companies contribute to develop capital market.	1	2	3	4	5	6

27. What new sources would you recommend to improve their performance?

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28. What are the problems and obstacles of Mutual Fund investment?

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29. What are the fundamental things for good Mutual Fund practice?

(i)   Capital market   (ii) Regulatory provision
(iii)   Environment   (iv) Any other

Details of Respondents

1. Gender: *Male/Female*

2. Major Profession:_____

3. Position or Responsibilities:_____

4. Professional Experience (in year):_____

5. Age (in year): _____

Appendix-2

Analysis for Primary Information
(Mutual Fund Investment)

1. Frequency distribution of Demographic Status

Gender of respondents

Label	Frequency	Percent	Valid Percent	Cumulative Percent
Male	44	71.0	71.0	71.0
Female	18	29.0	29.0	100.0
Total	62	100.0	100.0	

Major profession of respondents

Label	Frequency	Percent	Valid Percent	Cumulative Percent
Academicians	12	19.4	19.4	19.4
Officials	17	27.4	27.4	46.8
Stock brokers	10	16.1	16.1	62.9
Bureaucrats	7	11.3	11.3	74.2
Auditors	6	9.7	9.7	83.9
General Investors	10	16.1	16.1	100.0
Total	62	100.0	100.0	

Position or responsibilities of respondents

Label	Frequency	Percent	Valid Percent	Cumulative Percent
Assistant Officer	18	29.0	40.0	40.0
Officer	18	29.0	40.0	80.0
Manager	5	8.1	11.1	91.1
Director	4	6.5	8.9	100.0
Total	45	72.6	100.0	
Missing System	17	27.4		
Total	62	100.0		

Professional Experience of respondents

Label	Frequency	Percent	Valid Percent	Cumulative Percent
1-10 year	45	72.6	72.6	72.6
11-20 year	17	27.4	27.4	100.0
Total	62	100.0	100.0	

Age group of respondents

Label	Frequency	Percent	Valid Percent	Cumulative Percent
20-29 year	17	27.4	27.4	27.4
30-39 year	23	37.1	37.1	64.5
40-49 year	18	29.0	29.0	93.5
50 & above	4	6.5	6.5	100.0
Total	62	100.0	100.0	

2. General Status of MF investment in Nepal

Descriptive statistics

Variables	N	Mean	Std. Deviation
Investors know mutual fund	62	3.8548	1.22604
Mutual Fund management is successful to understand investor's objective	62	3.0645	1.34129
Investment in Mutual Fund appeared as a successful scheme in Nepalese capital market	62	3.1452	1.19900
Newspapers are the media of Mutual Fund information	62	3.1613	1.40483
Radio, Television is medias of Mutual Fund information	62	3.9194	1.20516
Internet is the media of Mutual Fund information	62	3.7097	1.13639
NIDC Capital Market is the source of Mutual Fund information	62	4.4355	1.48899
Security Exchange Board is the source of Mutual Fund information	62	4.2903	1.51914
There is needed to extend the Mutual Fund companies outside the valley	62	4.5806	1.24858
Employees should be trained to increase the performance of Mutual Fund	62	4.8548	1.06889
Mutual Fund companies are able to minimize the risk in investment	62	4.6452	1.10285
Mutual Fund companies can help to diversify the investment to minimize the risk	62	4.8387	1.27000
It is very hard to find out attractive investment opportunities in Nepal	62	2.7581	1.61637
Investors heard about Mutual Fund	62	4.3871	1.23281
There is positive relationship between share market and Mutual Fund	62	5.0484	.91306
Investors know each aspect of Mutual Fund	62	2.3226	1.25155
Market information system affects in effectiveness of NIDC capital market	62	4.5000	1.15588
Human resource strength affects in effectiveness of NIDC capital market	62	5.0000	1.02430
Past trend of mutual fund affects in development of Mutual Fund	62	4.6129	1.25913

	N	Mean	Std. Deviation
Mutual Fund companies contribute to develop capital market	62	3.2258	1.27291
Limited information collection and use affects in effectiveness of NIDC	62	4.3710	1.13418
Technological advancement affects in development of Mutual Fund	62	3.2742	1.49501
Political environment is suitable to develop the Mutual fund investment in risk less area	62	2.6290	1.25755
Mutual Fund investment is the great opportunities to invest in risk less area	62	5.6613	6.81835
Nepalese economic environment is favorable to develop Mutual Fund investment	62	4.5968	1.23421
Mutual Fund investment companies should invest collected Fund in foreign securities	62	4.6129	1.47498
Valid N (list wise)	62		

3. i) Awareness Level of investors

General Descriptive & one Sample Statistics

Variables	N	Mean	Std. Deviation	Std. Error Mean
Investors know mutual fund	62	3.8548	1.22604	.15571
Mutual Fund management is successful to understand investor's objective	62	3.0645	1.34129	.17034
There is needed to extend the Mutual Fund companies outside the valley	62	4.5806	1.24858	.15857
Investors heard about Mutual Fund	62	4.3871	1.23281	.15657
Investors know each aspect of Mutual Fund	62	2.3226	1.25155	.15895

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Investors know mutual fund	24.757	61	.000	3.8548	3.5435	4.1662
Mutual Fund management is successful to understand investor's objective	17.990	61	.000	3.0645	2.7239	3.4051
There is needed to extend the Mutual Fund companies outside the valley	28.887	61	.000	4.5806	4.2636	4.8977

	28.020	61	.000	4.3871	4.0740	4.7002
Investors heard about Mutual Fund	28.020	61	.000	4.3871	4.0740	4.7002
Investors know each aspect of Mutual Fund	14.612	61	.000	2.3226	2.0047	2.6404

Frequency distribution in each components

Investors know mutual fund

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	4.8	4.8	4.8
Disagree	6	9.7	9.7	14.5
Slightly Disagree	10	16.1	16.1	30.6
Slightly Agree	26	41.9	41.9	72.6
Agree	12	19.4	19.4	91.9
Strongly Agree	5	8.1	8.1	100.0
Total	62	100.0	100.0	

Mutual Fund management is successful to understand investor's objective

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	9	14.5	14.5	14.5
Disagree	15	24.2	24.2	38.7
Slightly Disagree	12	19.4	19.4	58.1
Slightly Agree	15	24.2	24.2	82.3
Agree	11	17.7	17.7	100.0
Total	62	100.0	100.0	

There is needed to extend the Mutual Fund companies outside the valley

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	5	8.1	8.1	8.1
Slightly Disagree	7	11.3	11.3	19.4
Slightly Agree	15	24.2	24.2	43.5
Agree	17	27.4	27.4	71.0
Strongly Agree	18	29.0	29.0	100.0
Total	62	100.0	100.0	

Investors heard about Mutual Fund

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.6	1.6	1.6
Disagree	3	4.8	4.8	6.5
Slightly Disagree	11	17.7	17.7	24.2
Slightly Agree	16	25.8	25.8	50.0
Agree	18	29.0	29.0	79.0
Strongly Agree	13	21.0	21.0	100.0
Total	62	100.0	100.0	

Investors know each aspect of Mutual Fund

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	20	32.3	32.3	32.3
Disagree	18	29.0	29.0	61.3
Slightly Disagree	12	19.4	19.4	80.6
Slightly Agree	9	14.5	14.5	95.2
Agree	2	3.2	3.2	98.4
Strongly Agree	1	1.6	1.6	100.0
Total	62	100.0	100.0	

ii) Perception towards MF
General Descriptive & one sample statistics
One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
It is very hard to find out attractive investment opportunities in Nepal	62	2.7581	1.61637	.20528
Mutual Fund investment companies should invest collected Fund in foreign securities	62	4.6129	1.47498	.18732
Mutual Fund companies are able to minimize the risk in investment	62	4.6452	1.10285	.14006
Mutual Fund companies can help to diversify the investment to minimize the risk	62	4.8387	1.27000	.16129
Mutual Fund investment is the great opportunities to invest in risk less area	62	5.6613	6.81835	.86593

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
It is very hard to find out attractive investment opportunities in Nepal	13.436	61	.000	2.7581	2.3476	3.1685
Mutual Fund investment companies should invest collected Fund in foreign securities	24.625	61	.000	4.6129	4.2383	4.9875
Mutual Fund companies are able to minimize the risk in investment	33.165	61	.000	4.6452	4.3651	4.9252
Mutual Fund companies can help to diversify the investment to minimize the risk	30.000	61	.000	4.8387	4.5162	5.1612
Mutual Fund investment is the great opportunities to invest in risk less area	6.538	61	.000	5.6613	3.9298	7.3928

It is very hard to find out attractive investment opportunities in Nepal

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	18	29.0	29.0	29.0
Disagree	14	22.6	22.6	51.6
Slightly Disagree	11	17.7	17.7	69.4
Slightly Agree	8	12.9	12.9	82.3
Agree	6	9.7	9.7	91.9
Strongly Agree	5	8.1	8.1	100.0
Total	62	100.0	100.0	

Mutual Fund investment companies should invest collected Fund in foreign securities

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.2	3.2	3.2
Disagree	4	6.5	6.5	9.7
Slightly Disagree	9	14.5	14.5	24.2
Slightly Agree	12	19.4	19.4	43.5
Agree	9	14.5	14.5	58.1
Strongly Agree	26	41.9	41.9	100.0
Total	62	100.0	100.0	

Mutual Fund companies are able to minimize the risk in investment

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	4	6.5	6.5	6.5
Slightly Disagree	6	9.7	9.7	16.1
Slightly Agree	10	16.1	16.1	32.3
Agree	30	48.4	48.4	80.6
Strongly Agree	12	19.4	19.4	100.0
Total	62	100.0	100.0	

Mutual Fund companies can help to diversify the investment to minimize the risk

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.2	3.2	3.2
Disagree	1	1.6	1.6	4.8
Slightly Disagree	9	14.5	14.5	19.4
Slightly Agree	2	3.2	3.2	22.6
Agree	27	43.5	43.5	66.1
Strongly Agree	21	33.9	33.9	100.0
Total	62	100.0	100.0	

Mutual Fund investment is the great opportunities to invest in risk less area

	Frequency	Percent	Valid Percent	Cumulative Percent
Slightly Disagree	6	9.7	9.7	9.7
Slightly Agree	15	24.2	24.2	33.9
Agree	25	40.3	40.3	74.2
Strongly Agree	15	24.2	24.2	98.4
58.00	1	1.6	1.6	100.0
Total	62	100.0	100.0	

iii) Information System

General Descriptive & one sample statistics

	N	Mean	Std. Deviation	Std. Error Mean
Newspapers are the media of Mutual Fund information	62	3.1613	1.40483	.17841
Radio, Television is medias of Mutual Fund information	62	3.9194	1.20516	.15306
Internet is the media of Mutual Fund infomation	62	3.7097	1.13639	.14432
NIDC Capital Market is the source of Mutual Fund information	62	4.4355	1.48899	.18910
Security Exchange Board is the source of Mutual Fund information	62	4.2903	1.51914	.19293

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Newspapers are the media of Mutual Fund information	17.719	61	.000	3.1613	2.8045	3.5181
Radio, Television is medias of Mutual Fund information	25.607	61	.000	3.9194	3.6133	4.2254
Internet is the media of Mutual Fund infomation	25.704	61	.000	3.7097	3.4211	3.9983
NIDC Capital Market is the source of Mutual Fund information	23.456	61	.000	4.4355	4.0574	4.8136
Security Exchange Board is the source of Mutual Fund information	22.238	61	.000	4.2903	3.9045	4.6761

Newspapers are the media of Mutual Fund information

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	9	14.5	14.5	14.5
Disagree	15	24.2	24.2	38.7
Slightly Disagree	9	14.5	14.5	53.2
Slightly Agree	15	24.2	24.2	77.4
Agree	14	22.6	22.6	100.0
Total	62	100.0	100.0	

Radio, Television is Medias of Mutual Fund information

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	8.1	8.1	8.1
Disagree	3	4.8	4.8	12.9
Slightly Disagree	8	12.9	12.9	25.8
Slightly Agree	22	35.5	35.5	61.3
Agree	24	38.7	38.7	100.0
Total	62	100.0	100.0	

Internet is the media of Mutual Fund information

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.2	3.2	3.2
Disagree	8	12.9	12.9	16.1
Slightly Disagree	15	24.2	24.2	40.3
Slightly Agree	18	29.0	29.0	69.4
Agree	19	30.6	30.6	100.0
Total	62	100.0	100.0	

NIDC Capital Market is the source of Mutual Fund information

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	6.5	6.5	6.5
Disagree	4	6.5	6.5	12.9
Slightly Disagree	6	9.7	9.7	22.6
Slightly Agree	13	21.0	21.0	43.5
Agree	17	27.4	27.4	71.0
Strongly Agree	18	29.0	29.0	100.0
Total	62	100.0	100.0	

Security Exchange Board is the source of Mutual Fund information

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.2	3.2	3.2
Disagree	12	19.4	19.4	22.6
Slightly Disagree	1	1.6	1.6	24.2
Slightly Agree	13	21.0	21.0	45.2
Agree	19	30.6	30.6	75.8
Strongly Agree	15	24.2	24.2	100.0
Total	62	100.0	100.0	

4. i) Internal Environment

Descriptive Statistics

	N	Mean	Std. Deviation
Employees should be trained to increase the performance of Mutual Fund	62	4.8548	1.06889
Market information system affects in effectiveness of NIDC capital market	62	4.5000	1.15588
Human resource strength affects in effectiveness of NIDC capital market	62	5.0000	1.02430
Past trend of mutual fund affects in development of Mutual Fund	62	4.6129	1.25913
Limited information collection and use affects in effectiveness of NIDC	62	4.3710	1.13418
Valid N (list wise)	62	-	-

ii) External Environment

Descriptive Statistics

	N	Mean	Std. Deviation
Technological advancement affects in development of Mutual Fund	62	3.2742	1.49501
Political environment is suitable to develop the Mutual fund investment in risk less area	62	2.6290	1.25755
Nepalese economic environment is favorable to develop Mutual Fund investment	62	4.5968	1.23421
Valid N (list wise)	62		

iii) Other issues

Descriptive Statistics

	N	Mean	Std. Deviation
Investment in Mutual Fund appeared as a successful scheme in Nepalese capital market	62	3.1452	1.19900
There is positive relationship between share market and Mutual Fund	62	5.0484	.91306
Mutual Fund companies contribute to develop capital market	62	3.2258	1.27291
Valid N (list wise)	62		

iv) Fundamental things in respondent's view

The fundamental things for good Mutual Fund practice

	Frequency	Percent	Valid Percent	Cumulative Percent
Capital Market	29	46.8	48.3	48.3
Regulatory Provision	15	24.2	25.0	73.3
Environment	16	25.8	26.7	100.0
Total	60	96.8	100.0	-
Missing System	2	3.2	-	-
Total	62	100.0	-	-

5. Correlation Coefficient

		Aware-ness Level	Percepti-on towards MF	Informat-ion System	Internal Environ-ment	External Environ-ment
Awareness Level	Pearson Correlation	1	.076	.347(**)	.409(**)	.384(**)
	Sig. (2-tailed)	.	.557	.006	.001	.002
	N	62	62	62	62	62
Perception towards MF	Pearson Correlation	.076	1	.237	.009	.282(*)
	Sig. (2-tailed)	.557	.	.064	.946	.026
	N	62	62	62	62	62
Informatio-n System	Pearson Correlation	.347(**)	.237	1	.432(**)	.330(**)
	Sig. (2-tailed)	.006	.064	.	.000	.009
	N	62	62	62	62	62
Internal Environment	Pearson Correlation	.409(**)	.009	.432(**)	1	.236
	Sig. (2-tailed)	.001	.946	.000	.	.065
	N	62	62	62	62	62
External Environme-nt	Pearson Correlation	.384(**)	.282(*)	.330(**)	.236	1
	Sig. (2-tailed)	.002	.026	.009	.065	.
	N	62	62	62	62	62

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).