Security Market
Special Edition

Article History | Received: Jan. 11, 2026 | Revised: May 17, 2026 | Accepted: May 31, 2026

Effectiveness of Promotional Tools on Investment Behavior in Open-Ended Mutual Funds in Nepalese Capital Market

Rajan Bilas Bajracharya[1]

Abstract

With the rise of the capital market of Nepal, there is an increasing need to identify factors affecting investment in open-ended mutual funds. This research identifies the impact of promotion, personal selling, internet marketing, and investor education on the investment behavior of individuals using the quantitative data of 119 investors. The descriptive analysis indicated that the general view of the participants regarding the use of promotion tools was in agreement with the results. The correlation analysis indicated a positive relationship between all the promotion tools and investment behavior. However, regression analysis indicated that different factors have different impacts: advertising and internet marketing had a significant positive influence on the investment behavior, whereas investor education did not have statistical significance. Personal selling had a negative influence, although statistically significant.

Keywords: Investment behavior, Nepalese capital market, open-ended mutual funds, promotional tools.

Cite as: Bajracharya, R. B. (2026). Effectiveness of promotional tools and investment behavior in open-ended mutual funds in Nepalese capital market. *Journal of Business and Social Sciences Research, 11*(1), 55-65. https://doi.org/10.3126/jbssr.v11i1.99001

INTRODUCTION AND STUDY OBJECTIVES

The Nepalese capital market has grown considerably over the past decade and how offers investors a wider range of investment opportunities. Among these opportunities, open-ended mutual funds have attracted increasing attention because investors can buy and redeem units at the prevailing Net Asset Value (NAV). Professional fund managers actively manage these funds, helping investors achieve portfolio diversification and greater investment flexibility. These features make open-ended mutual funds suitable for investors with different financial goals. Despite these advantages, Nepalese investors still participate in open-ended mutual funds at a relatively low level. This limited participation may result from a lack of awareness, inadequate understanding of mutual fund products, or uncertainty about the potential benefits and risks associated with investing in them (Bhandari & Subedi, 2024).

One factor that may influence investors' decisions is the way mutual fund companies communicate with the market. Mutual fund companies use promotional activities such as advertising, personal selling, digital marketing, and investor education to explain

[1]Dr. Bajracharya (https://orcid org/0009-0004-8375-7443) is a Faculty Member at Nepal Open University, Nepal. Email: rajan.bajarcharya@nou.edu.np

investment products, reduce information gaps, and build confidence among potential investors. Since investors cannot physically evaluate mutual funds before purchasing them, they often rely on promotional communication to understand the products' features, benefits, and associated risks. Researchers have reported that effective marketing communication positively shapes investors' attitudes and supports investment decisions in the mutual fund sector (Thakker et al., 2023).

The growing use of digital technology has also changed how financial institutions engage with investors. Asset management companies now use websites, social media platforms, mobile applications, and online seminars to communicate with investors, making investment information more accessible than in the past. At the same time, financial institutions have given greater attention to investor education as financial markets have become more complex. Improved financial knowledge enables individuals to evaluate investment opportunities more confidently and make decisions that better reflect their financial goals. Researchers found that investor education delivered through digital platforms increases financial literacy and promotes more informed investment behavior (Huang & Wang, 2026). The purpose of this study is to examine the effectiveness of promotional tools on investors' behavior toward open-ended mutual funds in the Nepalese capital market.

REVIEW OF LITERATURE

The inroduction of the Mutual Fund Regulation, 2010 marked an important step in the development of Nepal 's mutual fund industry Bajracharya and Mathema (2017) showed that closed-ended mutual funds dominated the market during its's early yeards. However, limited liquidity often discouraged continuous investor participation. The authors suggested that open-ended mutual funds could encourage greater participation because investors are able to buy and redeem units at the prevailing Net Asset Value (NAV). They also emphasized that these advantages need to be communicated effectively through promotional activities. The study concluded that product features alone are not enough to attract investors; a clear understanding of the benefits of open-ended mutual funds is equally important.

Investor behavior is also depends on the availability and quality of information. After examining 236 investors in Kathmandu, Bajracharya (2018) found that demographic characteristics and socioeconomic status significantly influenced their investment decisions. The study further showed that investors responded more positively to professional financial disclosures and institutional advisory services than to informal information sources. These findings indicate that credible communication channels reduce information asymmetry and support investment decisions

Beyond Nepal, researchers have also identified promotional activities as a key driver of mutual fund growth. Using a structural economic model, Roussanov et al. (2018) reported that marketing and distribution expenses accounted for a substantial share of mutual fund management costs and contributed significantly to fund growth. Their analysis showed that even a small increase in marketing expenditure increased fund assets, highlighting the strategic value of promotional activities alongside investment performance and management quality.

More recent studies have emphasized the importance of investor education and transparent communication. Through a systematic review of mutual fund research conducted in Nepal, Bajracharya and Aithal (2024) identified insufficient information and time constraints as major barriers to mutual fund investment. They also highlighted several advantages of mutual funds, including diversification, liquidity, accessibility, transparency, and cost efficiency. Their review concluded that investors largely base their confidence on perceptions of safety and liquidity, reinforcing the need for promotional strategies that provide accurate and reliable information.

The way promotional messages are presented also influences investment decisions. Radha and Srividya (2024) found that advertisements emphasizing high returns through attractive visual content often encourage inexperienced investors to make impulsive investment decisions. In contrast, transparent communication supported by interactive tools and balanced information helps investors evaluate both risks and returns more carefully, leading to more informed investment choices.

Market conditions further influence the effectiveness of promotional activities. Sharma (2026) observed that traditional promotional campaigns become less effective during periods of market decline because investors tend to become more risk-averse. Instead of relying solely on aggressive marketing, the study recommended that fund managers design products that align with investors' savings behavior, risk tolerance, tax preferences, and liquidity needs. These findings suggest that promotional strategies achieve the best results when they reflect investors' changing financial circumstances. Financial literacy has also emerged as an important factor influencing mutual fund investment decisions. Based on a survey of 156 investors, Vidya (2026) reported that individuals with higher levels of financial knowledge were more likely to make informed investment decisions. Demographic characteristics such as age, education, income, and occupation were also found to influence investment behavior. The study recommended that promotional campaigns integrate financial education with product promotion to encourage long-term participation in mutual funds.

Behavioral finance research provides additional insights into investor decision-making. Radha et al. (2026) demonstrated that psychological biases, including loss aversion and risk perception, significantly influence mutual fund investment decisions, particularly during periods of market volatility. The authors argued that traditional promotional messages focusing primarily on historical returns have become less effective and recommended that fund managers adopt investor-centered communication that clearly explains investment risks while building confidence through transparent disclosures.

Overall, previous studies consistently demonstrate that investor awareness, financial literacy, transparent communication, and promotional activities influence mutual fund investment decisions. However, researchers in Nepal have primarily examined these factors independently, placing greater emphasis on financial literacy, risk perception, and investor awareness. Researchers have provided only limited empirical evidence on how advertising, personal selling, digital marketing, and investor education collectively influence investment behavior toward open-ended mutual funds. To address this gap, the present study investigates how these four promotional tools jointly influence investment behavior in the Nepalese capital market and contributes to a more comprehensive understanding of promotional effectiveness in the country's evolving mutual fund industry. By identifying which promotional strategies have the greatest influence on investors' behavior, the study provides practical insights for mutual fund companies, fund

Table 1
Respondents' Profile

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	91	76.5
	Female	28	23.5
	Total	119	100
Age Group	Below 25 years	18	15.1
	25-34 years	42	35.3
	35-44 years	34	28.6
	45-54 years	17	14.3
	55 years and above	8	6.7
	Total	119	100
Education level	Plus 2	18	15.1
	Bachelor	54	45.4
	Master	39	32.8
	Above	8	6.7
	Total	119	100
Occupation	Student	51	42.9
	Service	50	42
	Professional	8	6.7
	Business	10	8.4
	Total	119	100
Monthly Income (NPR)	below 30,000	31	26
	30,000-50,000	62	52.1
	50,000-100,000	24	20.2
	Above 100,000	2	1.7
	Total	119	100
Investment Experience	less than 1 year	33	27.7
	1-3 years	79	66.4
	3-5 years	7	5.9
	Total	119	100

Note. Field Survey, 2026

managers, and policymakers to design more effective promotional campaigns, enhance investor awareness, and encourage greater participation in Nepal's growing mutual fund industry.

RESEARCH METHODS

This study adopts a quantitative approach using descriptive research design. The target respondents are individuals investors who have interest in investing in open-ended mutual funds in Nepal and primary data is collected through a structured questionnaire using a five-point Likert scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree). A total of 119 selected mutual fund investors from Nepalese stock market are selected as a sample for the paper. Therefore, lower mean sores indicate stronger agreement with the statement, while higher mean score indicate greater disagreement. The data collected is analyzed using JAMOVI.

RESULT AND DISCUSSION

This part of the paper covers the data analysis

Respondents' Profile

Table 1 illustrates the profile of the respondents of gender, age group, education level, occupation, monthly income and investment experience.

Table 1 presents the profile of the 119 respondents. The majority of respondents were male (76.5%). Most participants (35.3%) were between 25 and 34 of age. In terms of educational level, half of the respondents (45.4%) had completed a bachelor's degree while 32.8% held a master's degree. Regarding occupation, students and service holders represented the largest groups in the sample. More than half of the respondents (52.1%) informed of a monthly income between NPR 30,000 and 50,000. Regarding the investment experience, 66.4 percent invested in the capital market for one to three years, indicating that most respondents had some practical experience with investment decisions.

Advertising Effectiveness

Table 2 illustrates the mean and standard deviation for opinion on advertising as a promotional tool for open-ended mutual funds.

Table 2 presents respondents perceptions of advertising as a promotional tool for open-ended mutual funds. Among the five statement, AD1 showed the lowest scores

Table 2
Advertising Effectiveness

Code	Items	Mean	Std. Deviation
AD1	Advertisement of open-ended mutual funds increase my awareness.	1.89	0.58
AD2	Advertisement influence my interest in investing in open-ended mutual funds.	2.00	0.76
AD3	Advertisement help me compare different mutual funds schemes.	2.00	0.54
AD4	Advertisement provide clear and understandable information.	2.01	0.55
AD5	Advertisement create trusts in mutual funds companies.	2.14	0.84

Note. Field Survey, 2026

indicating the highest level of agreement among respondents. This suggests that advertisement are perceived as effective in increasing awareness of mutual fund investment opportunities.

Personal Selling and Advisory Services

Table 3 illustrates the mean and standard deviation for opinion on personal selling and advisory services as a promotional tool for open-ended mutual funds.

Table 3 presents respondents perceptions of personal selling and advisory services in relation to open-ended mutual funds. Among the five statements PS4 recorded the lowest mean score (M= 1.86, SD= 0.642) indicating the highest level of agreement among respondents This finding suggest that the respondents generally viewed direct interaction with sales representatives as a positive aspect of the investment process.

Digital Marketing and Online Promotion

Table 4 illustrates the mean and standard deviation on opinion on digital marketing and online promotion as a promotional tool for open-ended mutual funds.

Table 4 presents respondents' perceptions of digital marketing and online promotion

Table 3
Personal Selling and Advisory Services

Code	Items	Mean	Std. Deviation
PS1	Financial advisor clearly explain mutual fund produce to me.	1.89	0.58
PS2	Advice from relationship managers influence my investment decision.	2.00	0.76
PS3	Personal selling helps reduce my perceived investment risk.	2.00	0.54
PS4	Personal interaction with sales representatives' increase my confidence in investing	2.01	0.55
PS5	I prefer investing in mutual funds after consulting and advisor.	2.14	0.84

Note. Field Survey, 2026

Table 4
Digital Marketing and Online Promotion

Code	Items	Mean	Std. Deviation
DM1	I prefer digital channels over traditional media for investment information.	2.00	0.54
DM2	Social media platforms provide useful information about mutual funds.	2.14	0.64
DM3	Websites and mobile apps help me understand mutual fund performance.	2.14	0.55
DM4	Online promotional content influences my investment decision.	2.29	0.70
DM5	Digital platforms are a reliable source of mutual fund information.	2.29	0.70

Note. Field Survey, 2026

Table 5
Investor Education and Awareness Programs

Code	Items	Mean	Std. Deviation
IE1	Awareness programs help me make informed investment decision.	1.71	0.70
IE2	Investor education programs involve my understanding of mutual funds.	2.00	0.54
IE3	Educational materials reduce my fear of investment risks.	2.14	0.35
IE4	Investor education programs encourage long-term investment behavior.	2.14	0.64
IE5	Seminars and workshops increase my confidence in investing.	2.29	0.70

Note. Field Survey, 2026

Table 6
Investment Behavior

Code	Items	Mean	Std. Deviation
IB1	Promotional tools positively influence my long-term investment behavior.	1.71	0.70
IB2	I intend to invest more in open-ended mutual funds in the future.	2.00	0.76
IB3	I actively seek information before investing in mutual funds.	2.00	0.76
IB4	Promotional activities influence my decision to invest in open-end mutual funds.	2.14	0.64
IB5	I prefer mutual funds promoted with transparent and accurate information.	2.43	0.50

Note. *Field Survey, 2026*

related to open-ended mutual funds. Among the five statement. DM1 recorded the lowest mean score (M=2.00 SD= 0.537), indicating the highest level of agreement among respondents. This suggests that that respondents generally preferred digital channels when seeking information about mutual fund investments.

Investor Education and Awareness Programs

Table 5 illustrates the mean and standard deviation on opinion on digital marketing and online promotion as a promotional tool for open-ended mutual funds.

Table 5 presents respondents' perceptions of investor education and awareness programs related to open-ended mutual funds. The mean scores range from 1.71 to 2.29 indicating that respondents generally agreed with all five statements.

Among the statements IE1 recorded the lowest mean score (M=1.71, SD=0.703) indicating the highest level of agreement among respondents. This suggests that participants perceived awareness programs as helpful in supporting informed investment decisions.

Investment Behavior

Table 6 illustrates the opinion on investment behavior on mutual funds by the respondents.

Table 6 presents the respondents' perceptions of investment behavior toward open-ended mutual funds. Among the five statements, IB1 recorded the lowest mean score (M=1.71, SD= 0.703) indicating the highest level of agreement among the respondents. This suggests that respondents generally agree that promotional tools influence their long-term investment behavior.

The Statement IB2 and IB3 both obtained a mean score of 2.00 (SD+0.759) indicating that respondents agreed with these statements. Likewise IB4 recorded a mean score of 2.14 (SD= 0.642), Suggesting a positive perception of the role of promotional activities in investment decisions.

The statement IB5 had the highest mean score (M=2.43, SD= 0.497). Overall the finding show that respondents hold a positive perception of promotional activities related to open-ended mutual funds. The relatively low mean scores across all statements indicate that promotional efforts, particularly those emphasizing long-term benefits, reliable information and investor awareness contribution positively to investment behavior in the Nepalese capital markets.

Correlation Analysis

Table 7 illustrates the correlation matrix for the variables used in the paper.

Table 7 presents the Pearson correlation coefficients among adverting (AD), personal selling (PS), digital marketing (DM), investor education (IE) and investment behavior (IB). Pearson correlation analysis was conducted to examine the strengths and direction of the relationship among the study variables.

Table 7
Correlation Matrix

Variable	AD	PS	DM	IE	IB
AD	1				
PS	0.723 (0.001)	1			
DM	0.458 (0.001)	0.718 (0.001)	1		
IE	0.847 (0.001)	0.770 (0.001)	0.694 (0.001)	1	
IB	0.782 (0.001)	0.633 (0.001)	0.755 (0.001)	0.832 (0.001)	1

Note. Value in parentheses is p-value

The results show that all promotional tools were positively and significantly correlated with investment behavior at the 1% significance level ($p < 0.001$). Among the independent variables, investor education (IE) demonstrated the strongest positive relationship with investment behavior ($r = 0.832$, $p < 0.001$), indicating that respondents who reported more positive perceptions of investor education and awareness programs also tended to report more favorable investment behavior. This was followed by advertising (AD) ($r = 0.782$, $p < 0.001$), suggesting a strong positive association between advertising and investment behavior. Digital marketing (DM) also showed a strong positive correlation with investment behavior ($r = 0.755$, $p < 0.001$), while personal selling (PS) exhibited a moderate to strong positive relationship ($r = 0.633$, $p < 0.001$).

The correlation matrix also indicates significant positive relationships among the independent variables. Advertising was strongly correlated with investor education ($r = 0.847$, $p < 0.001$) and personal selling ($r = 0.723$, $p < 0.001$). Similarly, personal selling showed strong positive correlations with digital marketing ($r = 0.718$, $p < 0.001$) and investor education ($r = 0.770$, $p < 0.001$). Digital marketing was positively associated with investor education ($r = 0.694$, $p < 0.001$). These findings suggest that the promotional tools are related to one another, reflecting that organizations often use multiple promotional strategies simultaneously to communicate with investors.

Regression Analysis

Table 8 illustrates the regression result with the investment behavior as the dependent variable.

Table 8
Regression Results

Predictor	Estimate	SE	T	P
Intercept	-0.665	0.1070	-6.21	<0.001
AD	0.877	0.0930	9.44	<0.001
PS	-0.538	0.0765	-7.03	<0.001
DM	0.820	0.0706	11.62	<0.001
IE	0.132	0.0975	1.35	0.179
R-value	0.953			
R-Square	0.870			
N	119			

Table 8, multiple regression analysis was conducted to examine the influence of advertising, personal selling, digital marketing, and investor education on investment behavior toward open-ended mutual funds in the Nepalese capital market. The model produced a correlation coefficient of $R = 0.933$ and a coefficient of determination of $R^2 = 0.870$, indicating that the four promotional tools jointly explained 87.0 percent of the variation in investment behavior. This suggests that the proposed model has substantial explanatory power for understanding investment behavior among the respondents.

The regression results indicate that advertising has a positive and statistically significant effect on investment behavior ($\beta = 0.877$, $t = 9.44$, $p < 0.001$). This finding suggests that greater exposure to advertising is associated with more positive investment behavior toward open-ended mutual funds, while holding the other promotional variables constant.

Similarly, digital marketing was found to have a positive and significant influence on investment behavior ($\beta = 0.820$, $t = 11.62$, $p < 0.001$). Among the significant predictors, digital marketing recorded the highest *t*-value, indicating that it made a strong contribution to explaining variations in investment behavior within this model.

Overall, the regression analysis suggests that advertising and digital marketing are significant positive predictors of investment behavior, whereas investor education does not show a statistically significant independent effect in the presence of the other promotional variables.

Discussion

The findings indicate that promotional tools are associated with investment behavior toward open-ended mutual funds in the Nepalese capital market. The descriptive analysis showed that respondents generally had positive perceptions of advertising, personal selling, digital marketing, and investor education, suggesting that these promotional activities contribute to investors' awareness and decision-making.

The correlation analysis revealed that all promotional tools were positively related to investment behavior, with investor education showing the strongest association. The present finding aligns with those of Bajracharya and Aithal (2024) who reported that investor awareness plays an important role in mutual fund participation and Vidya (2026) found that investor with greater financial knowledge support informed investment decisions.

The regression analysis provides a clearer understanding of how different promotional tools influence investment behavior. The results show that advertising and digital marketing remain significant positive predictors, indicating that these promotional approaches encourage investors to participate in open-ended mutual funds. This finding is consistent with Roussanov et al. (2018), who demonstrated that marketing activities play an important role in attracting investors and supporting the growth of mutual funds. Similarly, Radha and Srividya (2024) found that transparent and well-designed promotional messages improve investors' understanding of financial products and encourage them to make more informed investment decisions.

Although investor education showed a positive correlation with investment behavior, it did not have a statistically significant independent effect after the regression model included the other promotional variables. This finding suggests that investor education complements advertising and digital marketing rather than independently driving investment decisions. Overall, the results highlight the value of combining informative promotional content with accessible digital communication to strengthen investor engagement in Nepal's open-ended mutual fund market.

CONCLUSION AND IMPLICATIONS

This study examined how promotional tools influence investment behavior toward open-ended mutual funds in the Nepalese capital market. The results show that advertising and digital marketing play an important role in encouraging investors to participate in mutual fund investments. Investor education did not have a statistically significant independent effect after the regression model considered the other promotional tools. These findings indicate that investors respond more positively to promotional strategies that provide clear, transparent, and accessible information. This study also contributes to the growing body of research on mutual fund investment in Nepal by providing practical evidence that helps asset management companies design more effective promotional strategies and increase investor participation in the capital market.

Implications

Based on the findings, asset management companies should focus more on advertising and digital marketing when promoting open-ended mutual funds. Their promotional activities should provide clear, accurate, and easy-to-understand information so that investors can make informed investment decisions with greater confidence. Although investor education was not a statistically significant predictor in the regression analysis, it remains important for developing investors' financial knowledge. Asset management companies should continue to provide educational content through digital platforms, seminars, and awareness programs to improve financial knowledge and encourage more people to invest in open-ended mutual funds. Combining effective promotional activities with investor education can support the long-term growth of the mutual fund industry in Nepal.

Limitations and scope for future research

This study focuses on individual investors in the Nepalese capital market and examines four promotional tools: advertising, personal selling, digital marketing, and investor education. Therefore, the findings may not represent all categories of investors or apply to other financial products. Future research can include a larger and more diverse sample to improve the generalizability of the findings. Future studies can also compare different types of mutual funds and examine additional factors, such as financial literacy, risk tolerance, investor trust, and market conditions, to develop a more comprehensive understanding of investment behavior. Such studies can provide deeper insights into the factors that influence investment decisions in Nepal's evolving capital market. Longitudinal studies could also help researchers better understand how promotional strategies influence investment behavior over time.

Funding

The author declare that they have received no financial support for this study.

Conflict of interest

The author declare that they have no conflict of interest.

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