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Financial Inclusion and Mutual Fund Investment Behavior among Individual Investors in Kathmandu Valley

Binod Nepal [1], Dhiraj Budhathoki[2] and Mamata Pandey[3]

Abstract

The paper studies the effect of financial inclusion (financial awareness, income/affordability, financial literacy, accessibility, and trust) on mutual fund investment behavior of individuals in Nepal's Kathmandu Valley through a positivist, quantitative, cross-sectional approach, involving primary data collected through structured questionnaires from 100 individual investors. According to multiple regression analysis, the result obtained shows that the model is statistically significant and explains 70.4% of the variation in investment behavior ($R^2 = 0.704$). In particular, accessibility ($\beta = 0.359$, $p < 0.001$) has the highest significant positive impact, followed by Trust ($\beta = 0.340$, $p < 0.001$) and Financial Awareness ($\beta = 0.238$, $p = 0.003$). Meanwhile, Income/Affordability and Financial Literacy do not have any significant impact on mutual fund investment behavior. The research concludes that improvements in terms of accessibility, institutional trust, and investor financial awareness, rather than income and financial literacy alone, are very important for motivating investors towards mutual fund investment.

Keywords: Accessibility, financial awareness, financial inclusion, financial literacy, mutual fund investment.

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INTRODUCTION AND STUDY OBJECTIVES

Financial inclusion is an important policy goal for expanding the reach of the formal financial system and sustainable economic growth. It means ensuring that everyone and every business has fair access to affordable, accessible and reliable financial products and services, including savings, credit, insurance, payment mechanisms and investment opportunities and that these are provided in an ethical, responsible and transparent manner (World Bank, 2022). Current thinking is that financial inclusion is more than just having a bank account; it also

[1]Dr. Binod Nepal, Faculty of Koteshwor Multiple Campus, Jadibuti, Kathmandu,
Email: binod.nepal@koteshworcampus.edu.np

[2]Dhiraj Budhathoki Faculty of Koteshwor Multiple Campus, Jadibuti, Kathmandu,
Email: dhiraj.budhathoki@koteshworcampus.edu.np

[3]Mamata Pandey, Faculty of Koteshwor Multiple Campus, Jadibuti, Kathmandu,
Email: mamata.pandey@koteshworcampus.edu.np

means having the means, the confidence and the opportunity to be able to make the most of financial services to make a difference to their economic lives (International Finance Corporation [IFC], 2021). Although financial infrastructure has improved significantly in the developing economies, there are still many people who do not participate financially in any meaningful way as a result of lack of financial knowledge, poor digital access, institutional complexity and geographic disparities (Nepal Rastra Bank [NRB] 2022).

Financial inclusion is considered as a significant factor of inclusive economic growth, poverty alleviation, financial protection and capital market development. The benefits of financial inclusion for households include the ability to save securely, manage financial risks, buffer against unexpected economic shocks and build long-term wealth (IFC, 2021; World Bank, 2022). From a national perspective, financial inclusion is the process of getting more people into financial and investment systems, which can have the following benefits: mobilizing household saving, optimizing the use of financial resources, making financial systems more stable and facilitating capital formation (Bian et al., 2023). As a result, the governments and financial regulators have increasingly seen financial inclusion as an important mechanism for sustainable economic development and the alleviation of economic inequality (Memon et al., 2025; Zhu et al. 2023). But the benefits of financial inclusion are only realized when people take full advantage of the financial services offered to them and use them for productive financial decision making, such as long-term investment.

Financial inclusion plays an important role in economic development in part by the inclusion of mutual fund investment. Mutual funds offer professionally managed and diversified investment options which allow small and retail investors to invest in the capital markets with comparatively lower risk and investment amount (Saleem et al., 2021). Mutual funds help to lower the information asymmetry, encourage diversification and discipline long term investment patterns when compared to investing directly on the stock market. At macroeconomic level, mutual funds the channeling of household saving into productive investment, enhance the efficiency of the capital market and promote financial market development (Xu & Sun, 2022). This means greater participation in mutual funds is now a priority goal of the financial regulators aiming to make investment opportunities more inclusive and boost domestic capital markets.

While the landscape of financial services in Nepal has improved significantly with the development of banking, digital payments and financial sector reforms, the coverage of the capital market in Nepal is still quite low, especially for retail investors. Since the enactment of the Mutual Fund Regulations, 2067 (2010) and the growing number of mutual fund schemes granted approval by the Securities Board of Nepal (SEBON, 2023) the industry has gradually grown over the years. However, most people in Nepal still interested for traditional saving vehicles like bank deposits rather than invest in professionally managed mutual funds, or participate in speculative short-term stock trading. The situation indicates that merely broadening the financial access does not necessarily lead to increased financial participation in investment of mutual fund schemes. Instead, investment choices can

also be influenced by the financial awareness, financial literacy, affordability, access to investment services and trust in financial institutions of individuals. Thus, knowing the impact of these dimensions is crucial to enhance investor participation and sustainable development of capital market in Nepal.

There have been some studies that focus on financial inclusion and banking access, digital financial services, household savings, poverty reduction and financial well-being (Bian et al., 2023; Omar & Inaba, 2020). Likewise, the studies on investment in mutual funds have predominantly been conducted on the investor attitude, financial literacy, investor risk tolerance and behavioral finance aspects (Hamurcu et al., 2025; Saleem et al., 2021). To date, however, the concept of financial inclusion as a multidimensional phenomenon impacting an individual's investment decision in mutual funds has not been extensively studied, especially in the context of developing capital markets. Specifically, empirical studies have not been conducted that have all these factors at once: financial awareness, affordability, financial literacy, accessibility and trust in financial institutions as determinants of the behavior of mutual fund investments. This is an empirical missing research in the literature. Moreover, there is a lack of relevant data from the Nepalese capital market because the mutual fund industry is still in its infancy and participation of investors is comparatively low, which is an important contextual factor. Theoretically, the past research has mostly addressed individual determinants of MF investment without linking multiple dimensions of financial inclusion together to offer a complete explanation of MF investment behavior, signifying a gap.

The current study fills these empirical, contextual and theoretical gaps by analyzing the impacts of various financial inclusion indicators on individual investors' mutual fund investment decisions in Nepal. Financial literacy should increase investors' awareness of investment opportunities and help in making informed investment decisions. Financial literacy is the ability to compare investment options, comprehend risk-return relationships and make informed financial choices. Availability defines the monetary resources of a person to invest. An increase in accessibility decreases physical, technological and procedural obstacles to investment participation; an increase in trust in financial institutions decreases perceived uncertainty and boosts investor trust in regulated financial products. These dimensions taken together offer a complete description of the reasons why people invest in mutual funds.

So, this paper aims to analyze the effect of financial inclusion (financial awareness, affordability, financial literacy, financial accessibility, trust on financial institutions) on the investment in mutual funds among individual investors in Nepal. The results will be used to add to the body of knowledge in the financial inclusion and behavioural finance domains and will also support the Securities Board of Nepal (SEBON), mutual fund companies, financial institutions and the policy makers who want to encourage inclusive capital market participation in Nepal.

Literature Review

This part of the paper covers the theoretical and empirical review relevant to the topic.

Mutual Fund

Mutual funds are professionally managed collective investment schemes that combine the funds of many investors to invest in a

well-diversified portfolio of securities, which could be shares, bonds, money market instruments or a mix of the above. A mutual fund is defined in academic literature as a collective investment vehicle that allows investors to gain access to diversification, professional management and economies of scale that are otherwise not possible for individual investors (Saleem et al., 2021). Mutual funds issue units or shares to the public and enable small and individual investors to invest in the capital markets without specialized knowledge and large amounts of capital.

Mutual funds can be broadly categorized into various types based on their investment strategy, portfolio composition and structure. Equity mutual funds invest mainly in the shares of companies and seek long-term capital gains, while debt mutual funds invest in fixed-income securities (such as government bonds, corporate bonds and treasury bills) to deliver relatively steady returns with less risk (Gupta, 2020). Balanced funds invest in a mix of equity and debt securities to balance risk and return. Besides, money market funds invest in short-term, highly liquid instruments and are ideal for investors looking to preserve capital and maintain liquidity. Mutual funds are also classified as open-ended funds (which allow continuous buying and redeeming of units) and closed-ended funds (which have a maturity to which they are redeemed and listed on the stock exchange) (Bogdan & Schrass, 2025). The importance of mutual funds stems from their role in benefiting investors and the financial system. For investors, mutual funds enhance diversification, eliminate unsystematic risk and foster long-term investment practices, especially via systematic investment plans (Hamurcu et al., 2025).

From a macroeconomic perspective, mutual funds play a vital role in mobilizing household savings, increasing the depth of capital markets and promoting financial inclusion by bringing small investors into the formal financial sector (Xu & Sun, 2022). Research also shows that investing in mutual funds has a positive effect on financial resilience, risk management and long-term savings, highlighting their importance for long-term financial growth (Abreu et al., 2025).

Nepal's mutual fund industry is a fledgling but slowly growing sector of the capital market. The advent of mutual funds began with the adoption of the Mutual Fund Regulations, 2067 (2010) under the Securities Act, 2063, which laid down the regulatory framework for the establishment, functioning and oversight of mutual fund schemes in the country (SEBON, 2010). The gradual growth in the number of mutual funds in Nepal since the issuance of the first mutual fund scheme in 2011 has been observed with the majority of schemes being established as closed-ended funds sponsored by commercial banks, development banks and merchant banks (SEBON, 2010).

In recent years, over 20 mutual fund schemes have been in operation in Nepal, mostly equity and balanced schemes, with few open-ended schemes. This reflects low risk-taking attitudes of both regulators and retail investors (NRB, 2023). SEBON's regulatory oversight is pivotal in approving the registration and prospectus of funds, issuance of units, pricing and disclosure of funds and licensing of fund managers to ensure transparency and protection of investors (SEBON, 2010).

Regulatory support for mutual fund investment in Nepal is in line with policy

frameworks for financial inclusion and capital market development. National plans such as the National Financial Inclusion Roadmap and the Financial Inclusion Action Plan put a strong focus on mobilising household savings and encouraging formal investment outlets, in which mutual funds are seen as a suitable investment option for small investors (Pant, 2016). Measures such as forced disclosure, fund supervision committees, custodial arrangements and net asset value (NAV) reporting have improved governance and accountability in the mutual fund industry (Bhandari, 2025). Despite these improvements, mutual fund uptake is still low due to low financial literacy, stock trading for short-term gains and lack of product differentiation. Thus, the policy discourse focuses on investor awareness, growth of open-end funds and mutual fund integration with long-term savings and retirement planning to boost long-term market participation (NRB, 2022; SEBON, 2020).

The Theory of Planned Behaviour

The theory of planned behavior (TPB) may be able to explain the mutual fund investment decisions of individual investors in Nepal better than the traditional economic models because such decisions are purposeful and involve psychology and social aspects. Before making decisions, the individuals will consider available information, the risk and reward involved, seek advice from peers, financial planners, and media and consider their personal financial literacy and confidence (Jiang et al., 2019). In this research, financial literacy increases financial awareness and financial control that improve financial capability, while ease of access improves access and further contributes to increasing financial awareness and financial capability. Trust in financial institutions promotes positive attitude through decreasing uncertainty, and affordability moderates the investment decision. All these variables influence intentions and behaviors. Hence, theory of planned behavior (TPB), which takes into account psychology, social and resource aspects, is an appropriate model than conventional theories to study how various aspects of financial inclusion impact the mutual fund investments (Ajzen, 1991; Jiang et al., 2019; Pranajaya et al., 2024).

The Systems Theory of Financial Inclusion

A building block of this micro-level approach is the Systems Theory of Financial Inclusion that has a macro-level approach which highlights the importance of institutional, technological and regulatory factors. Based on the systems theory, the financial infrastructure-such as banking systems, digital platforms, regulation and financial service providers-is a vital determinant for the extent of participation of individuals in formal financial markets (Ozili, 2020). Research shows that higher financial inclusion through financial institutions and digital finance correlates with higher portfolio diversification and investment efficiency, especially for low- and middle-income groups (Bian et al., 2023).

These two theories are fitting for this study as they account for both internal (financial literacy and discipline) and external factors (accessibility and inclusion). This multidisciplinary approach allows for a comprehensive view of the impact of financial inclusion on mutual fund investment in Nepal, ensuring the study is theoretically sound and contextually appropriate.

The conceptual framework of the study can be shown below:

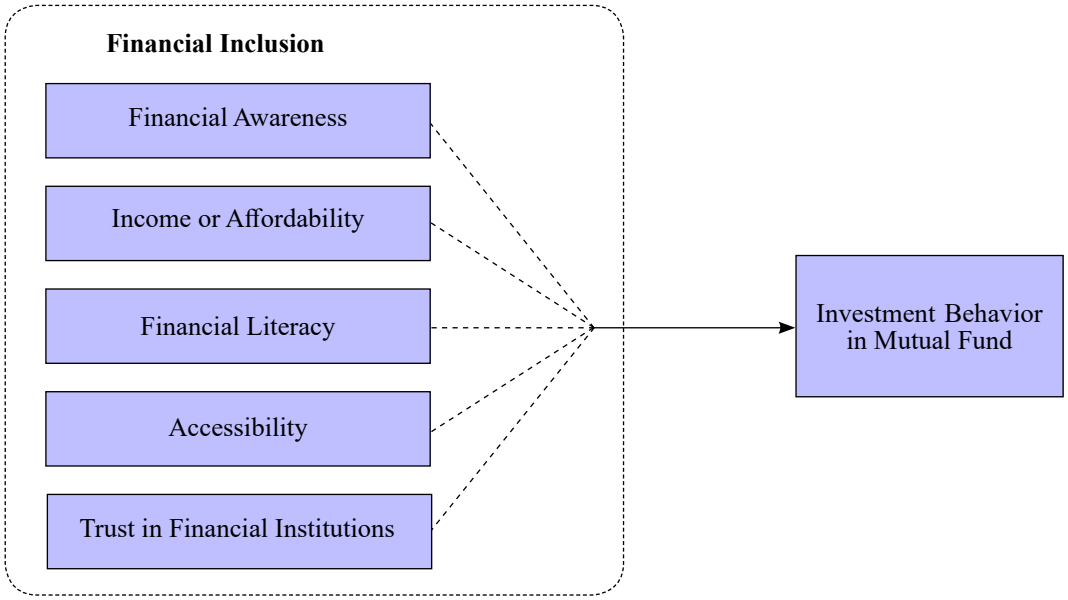

Figure 1. *Conceptual Framework*

Note. Authors

Based on the review done the following hypotheses have been generated for the paper.

H_1: Higher levels of financial awareness have a positive impact on Investment Behavior in Mutual Fund in in Kathmandu Valley, Nepal.

H_2: Income level has a significant positive relationship with the Investment Behavior in Mutual Fund in in Kathmandu Valley, Nepal.

H_3: Financial literacy has a significant positive effect on mutual fund investment behavior among individual investors in in Kathmandu Valley, Nepal.

H_4: Limited access to financial services has an impact on mutual fund participation.

H_5: Trust in financial institutions has a positive effect on the Investment Behavior in Mutual Fund in Kathmandu Valley, Nepal.

Methods

This study uses the positivist paradigm since it entails finding the objective quantitative relationship between financial inclusion, literacy, discipline, and mutual fund investments. The research will employ the deductive research approach in which hypotheses are tested from theory using quantitative data. This study will be designed using a non-experimental and quantitative method because variables are measured using investors' response patterns that are not manipulated. It is both descriptive because it describes the attributes of the respondents and analytical since it tests the variables. Data will be gathered using a questionnaire with a five point Likert scale (1= strongly disagree to 5= strongly agree) on financial awareness, affordability, literacy, access, and mutual fund investments. The respondents

were individuals who were Nepali investors familiar with mutual funds. As there was no sampling frame available, probability sampling could not be conducted; hence, convenience sampling was used, whereby easy to access and cooperative subjects were considered. It is a typical sampling method in behavioral finance research due to the lack of population lists (Etikan et al., 2016), despite its shortcomings in terms of representativeness; however, it provides practicality (Saunders et al., 2019). There are 100 investors sampled, enough for the regression analysis. Using Green's (1991) guideline ($N \geq 50 + 8m$ where $m = 5$ independent variables), at least 90 samples are required; thus, $n = 100$ is more than sufficient.

The research instrument was validated to be reliable and valid in order to measure the research the right way and the same way. The internal consistency reliability was evaluated by Cronbach's alpha (α) values of 0.70 and above are considered acceptable reliability and values of 0.80 and above are considered as good reliability (Hair et al., 2019).

Table 1
Reliability Test Results of Constructs

S. N.	Variables	Cronbach Alpha (α)	Number of Items
1	Financial Awareness	0.843	5
2	Income / Affordability	0.739	5
3	Financial Literacy	0.833	4
4	Accessibility	0.923	5
5	Trust in Financial Institutions	0.828	4
6	Investment Behavior in Mutual Fund	0.937	5
	Overall Constructs	0.950	28

Note. SPSS Output, (2026)

Each construct scored more than Cronbach's alpha level of 0.70, scoring between 0.739 and 0.937, with overall reliability of .950 for 28 items, indicating high internal consistency (Hair et al., 2019; Taber, 2018). Content validity was established by reviewing the questionnaire with the experts, while translation to Nepali and then English was done to verify the accuracy, incorporating changes based on expert reviews. The descriptive statistics were used for data summarization and regression analysis for testing of hypothesis related to financial inclusion constructs.

RESULTS

This part of the paper covers the analysis of the data.

Demographics Result of Respondents

This section describes the profile of the respondents of the survey to understand their general personal and socio-economic characteristics.

Table 2 depicts the respondents' ($N = 100$) demography and features some characteristics relevant to the study. It is heavily skewed towards males, with 71 percent of the sample being male, suggesting greater involvement of males in mutual fund–related financial activities. Age-wise, a significant proportion of respondents are in their economically productive years (25-34 years, 31%; 45-54 years, 26%) so investment decisions are likely to be made by savers in their productive and retirement years. Education level exceeds the average as 73 percent of the respondents have at least a bachelor's degree, indicating that they have the education required to understand financial products. As far as profession, a large proportion of respondents are either unemployed (39%) or employed (23%), indicating a wide range of income stability among this

Table 2
Demographics Result of Respondents

Demographic Variables	Categories	Percent
Gender	Male	71
	Female	29
Age Group	Under 25 years	8
	25–34 years	31
	35–44 years	24
	45–54 years	26
	55 years and above	11
Education Level	Secondary education	27
	Bachelor's degree	38
	Master's degree	30
	MPhil / PhD	5
Occupation	Student	19
	Employed	23
	Self-employed	6
	Unemployed	39
	Retired	13
Monthly Income (NPR)	Less than 20,000	16
	20,001–40,000	33
	40,001–60,000	42
	Above 80,000	9
Marital Status	Married	30
	Unmarried	70

Note. Field Survey, 2025

sample. Regarding income, the sample has a high proportion of low to moderate income (NPR 20,001-60,000 per month) which is an appropriate range for investments in mutual funds. The profile reveals that the respondents are young and educated and fits the purpose of studying financial inclusion to mutual fund investment in Nepal.

Financial Inclusion Status of Respondents

This section provides a brief overview of the financial inclusion status of the respondents in terms of access and use of formal financial services pertinent to mutual fund investment.

Table 3 reports the financial inclusion of respondents on various aspects and shows a mixed financial inclusion status. Accessibility has the highest mean (M = 3.4), implying that respondents typically have good access to financial institutions, electronic platforms and other required accounts for investing in mutual funds. However, financial awareness has the lowest mean (M = 2.6), especially due to low exposure to formal education on mutual

Table 3
Financial Inclusion Status of Respondents

Statement	Mean	S.D.
Financial Awareness	2.6	.9
Know different mutual fund options	2.7	1.2
Understand how mutual funds work and their benefits	2.9	1.1
Seek or receive information about mutual funds	2.8	1.2
Confident comparing mutual funds with other investments	2.8	1.1
Attended training on mutual funds	1.7	.9
Income / Affordability	2.9	.7
Earn enough to invest in mutual funds	2.7	1.1
Mutual funds are affordable	2.9	.9
Comfortable investing part of income	2.7	1.1
Flexible for low-income investors	3.2	.9
Would invest more with higher income	3.2	1.1
Financial Literacy	2.8	.8
Understand NAV and returns	2.5	1.2
Know risk-return relationship	2.8	.9
Use knowledge to select funds	3.0	.8
Manage portfolio based on knowledge	3.1	1.0
Accessibility	3.4	1.2
Easy to buy via bank, broker, or app	3.2	1.4
Have required accounts (bank, DEMAT, broker)	3.7	1.2
Online tools simplify investing	3.3	1.4
Easy to buy/sell units	3.2	1.2
Access motivates investment	3.1	1.2
Trust in Financial Institutions	2.9	.9
Institutions provide clear information	2.6	1.2
Feel safe due to SEBON regulation	2.7	.9
Mutual funds safer than other options	3.2	1.2
Trust asset management companies	3.0	1.1

Note. Field Survey, 2025

funds, which implies a lack of structured education among investors. Affordability or income (M = 2.9) and financial literacy (M = 2.8) reflect moderate levels, suggesting that though the respondents generally perceive mutual funds as flexible and easy to manage, they are limited in their ability to completely comprehend technical matters such as NAV and risk-return. Trust in financial institutions also shows a moderate level (M = 2.9), implying a level of trust in regulatory agencies and asset management firms. The findings suggest that while infrastructural access to mutual funds is relatively high, investment

in mutual funds could be hampered by lack of awareness, literacy and trust.

Impact of Financial Inclusion on Investment Behavior in Mutual Funds in Nepal

Multiple regression analysis is used to study the impact of financial inclusion on the investment behaviour of individual investors in the Mutual fund scheme in Nepal. Specifically, the analysis quantifies the effect of financial awareness, income/affordability, financial literacy, accessibility and trust in financial institutions on investment behavior and identifies the relative contribution and statistical significance of each predictor. Multiple regression analysis is used to uncover factors that significantly affect investment behavior of mutual funds and to assess the overall relationship between financial inclusion and investment decisions. Then, the equation of Mutual Funds Investment Behaviour in Nepal can be defined as:

$$\text{Ln MFIB} = \alpha + \beta_1 \ln FA + \beta_2 \ln IA + \beta_3 \ln FL + \beta_4 \ln ACC + \beta_5 \ln TFL + \varepsilon$$

Table 4
Model Summary[b]

Detail	Result
R	0.839a
R-Square	0.704
Adjusted R-Square	0.689
Std. Error of the Estimate	0.5673
F-Statistics	44.78 (0.000)

a. Predictors: (Constant:α), FA, IA, FL, ACC, TFL where FA = Financial Awareness, IA = Income or Affordability, FL= Financial Literacy, ACC = Accessibility and TFL = Trust in Financial Institutions

b. Dependent Variable: Investment Behaviors on Mutual Funds in Nepal (MFIB)

Table 4 exhibits a significant association between the financial factors and investment behavior with a correlation coefficient (R) of 0.839. The R Square (0.704) indicates that 70.4% of the variance in investment behavior in mutual funds is accounted for by financial awareness, income/affordability, financial literacy, accessibility and trust in financial institutions. The adjusted R Square (0.689) also supports the model fit considering the number of predictor variables. Furthermore, the low standard error of the estimate (0.56726) suggests a good fit of the observed data, indicating that the model explains investment behavior of mutual fund investors in Nepal well.

The regression sum of squares (72.050) far outweighs the residual sum of squares (30.248), indicating that the variables used explain a significant amount of variance in investment behavior. The model has a high F-statistic ($F = 44.781$) and p-value ($p < 0.001$), suggesting that the combined impact of financial awareness, income or affordability, financial literacy, accessibility and trust in financial institutions has a significant influence on investors' mutual fund investment behavior. This confirms the overall model fitness and that the independent variables collectively and significantly explain the mutual fund investment behavior of Nepalese investors.

Multiple Regression Results for Mutual Fund Investment Behavior

Table 5 illustrates the multiple regression results for the Mutual Fund Investment Behaviors (MFIB)

Dependent Variable: Mutual Fund Investment Behaviors (MFIB)

The multiple regression analysis results for mutual fund investment behaviour is given in Table 5. The results show that the

Table 5
Multiple Regression Results for Mutual Fund Investment Behavior

	Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-0.201	.284		-.708	.480		
	FA	0.283	.094	.238	3.008	.003	.503	1.989
	IL	0.118	.119	.079	.991	.324	.495	2.021
	FL	-0.067	.083	-.054	-.817	.416	.724	1.381
	ACC	.302	.071	.359	4.241	.000	.439	2.280
	TFL	.394	.100	.340	3.935	.000	.420	2.378

Predictors: (Constant:α), FA, IA, FL, ACC, TFL where FA = Financial Awareness, IA = Income or Affordability, FL= Financial Literacy, ACC = Accessibility and TFL = Trust in Financial Institutions

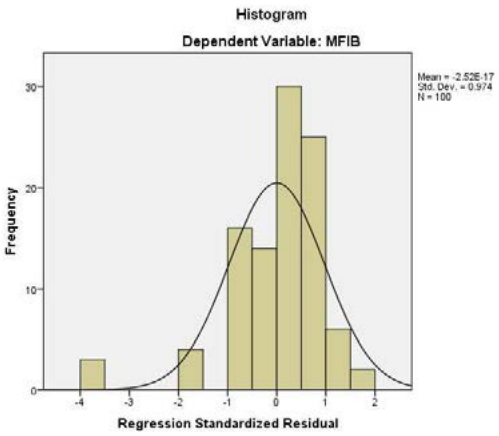

Figure 2. *Normality of Regression Result*

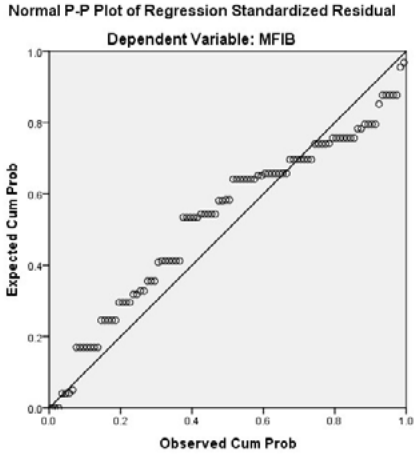

Figure 2. *illustrates the closer to the normality of the regression result.*

Table 6
Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	FA	IL	FL	ACC	TFL
1	1	5.785	1.000	0.00	0.00	0.00	0.00	0.00	0.00
	2	0.076	8.722	0.10	0.08	0.00	0.26	0.20	0.01
	3	0.052	10.553	0.09	0.27	0.05	0.17	0.16	0.11
	4	0.042	11.727	0.17	0.39	0.06	0.12	0.25	0.08
	5	0.028	14.310	0.27	0.03	0.07	0.42	0.09	0.56
	6	0.017	18.632	0.36	0.23	0.82	0.04	0.30	0.24

Accessibility (β = 0.359, p < 0.001) have significant positive influence on mutual fund investment behavior followed by the influence of Trust in Financial Institutions (β = 0.340, p < 0.001) and Financial Awareness (β = 0.238, p =0.003) which are also significant positive. However, Income /Affordability (β = 0.079, p = 0.324) and Financial Literacy (β = –0.054, p = 0.416) are not statistically significant. Additionally, the tolerance values (between .420 and .724) and VIF values (between 1.381 and 2.378) do not support that there is any multicollinearity among the predictor variables and thus suggest a viable regression model for analysis.

Therefore, Mutual Fund Investment Behavior (MFIB) = -0.201 + 0.283 FA + 0.118 IA - 0.067 FL +0.302 ACC + 0.394 TFL + ε

Where, α = Constant, FA = Financial Awareness, IA = Income or Affordability, FL= Financial Literacy, ACC = Accessibility, TFL = Trust in Financial Institutions and MFIB = Mutual Fund Investment Behaviour

Dependent Variable: Mutual Fund Investment Behaviors (MFIB)

The collinearity diagnostics of the regression model are given in Table 6. All the independent variables do not have serious

Table 7
Results of Hypothesis Testing

Hypothesis	Result	Decision	Interpretation
H_1: Financial awareness positively affects mutual fund participation.	β = 0.238, t = 3.008, p = 0.003 < 0.05	Accepted	Financial awareness has a significant positive effect on mutual fund investment behavior.
H_2: Income level positively affects mutual fund participation.	β = 0.079, t = 0.991, p = 0.324 > 0.05	Rejected	Income/Affordability does not have a significant effect on mutual fund investment behavior.
H_3: Limited access to financial services negatively affects participation.	β = −0.054, t = −0.817, p = 0.416 > 0.05	Rejected	Financial literacy does not have a significant effect on mutual fund investment behavior.
H_4: Financial literacy positively affects investment behavior.	β = 0.359, t = 4.241, p < 0.001	Accepted	Greater accessibility to financial services significantly increases mutual fund investment behavior.
H_5: Trust in financial institutions positively affects participation.	β = 0.340, t = 3.935, p < 0.001	Accepted	Higher trust in financial institutions significantly enhances mutual fund investment behavior.

Note. SPSS Outputs (2026)

multicollinearity as the Condition Index is 18.632, which is lower than the critical value of 30. But the variance proportions for Income/Affordability (0.82) and Trust in Financial Institutions (0.56) are relatively high in the higher dimensions, but do not correspond to a condition index that exceeds the critical value. Thus, the collinearity diagnostics validate the absence of any serious multicollinearity among the predictor variables and the validity of the interpretation of the regression coefficients.

Hypothesis Result

The results of hypothesis has been illustrated in Table 7.

Discussion

Results indicate that the majority of Nepalese mutual fund investors are well-educated, city dwellers and working, meaning limited penetration in other aspects, in line with the findings of Omar and Inaba (2020) and World Bank (2020). Productive age majority is explained by life-cycle hypothesis, although unemployment among investors implies hopes for future safety and no entry barriers. Availability has the best score, but awareness remains low, consistent with Omar & Inaba (2020), and Tsagay (2022) that financial education is lagging behind infrastructure availability. Availability does not necessarily mean knowledge, supporting the multidimensionality of financial inclusion. The regression accounts for 70.4% of variation, with Accessibility, Trust (Celik & Dong, 2024; Guiso et al., 2008), and Awareness being significant and positively predictive, thereby validating the conclusions reached by Demirguc-Kunt et al. (2018) and Omar and Inaba (2020) regarding reducing costs associated with access. Financial Literacy is non-influential, unlike in developed countries (Khawar & Sarwar, 2021; Tennekoon & Liyanage, 2021). The findings are in accordance with Mutamimah et al. (2023) regarding financial literacy having significance only in combination with institutional trust and accessibility. Income/Affordability is not significant due to low minimum investment requirements. Overall, behavioral and institutional factors outweigh economic capacity, consistent with the Theory of Planned Behavior.

CONCLUSION

This paper has important contributions to the financial inclusion literature as it shows that the various indicators of financial inclusion cannot have the same impact on the investment behavior of mutual funds. Mutual fund behavior in Nepal is shaped mainly by the Accessibility, Trust in Financial Institutions and Financial Awareness, while Financial Literacy and Income/Affordability are not important. The results build on the Theory of Planned Behavior and highlight factors of accessibility, institutional trust and investor awareness in an emerging capital market. The results show that financial awareness, access to financial products and services, and trust in financial organizations are the most important factors affecting mutual fund investment behavior whereas income and financial literacy do not make an impact on investment decisions.

In particular, people who have high levels of financial awareness ($\beta = 0.238$, $p = 0.003$) are more inclined to invest their money, meaning that awareness and perception of control over money are important factors of investing. Also, increased access to financial products and organizations ($\beta = 0.359$, $p < 0.001$) is another factor that positively impacts on investment behavior. In particular, trust in financial institutions

($\beta = 0.340$, $p < 0.001$) is identified as a strong factor, implying that investors' faith in the system helps reduce their doubts and foster commitment to the investment in mutual funds. Nevertheless, income/affordability ($\beta = 0.079$, $p = 0.324$) and financial literacy ($\beta = -0.054$, $p = 0.416$) do not play any statistically significant role, which means that greater incomes or merely having the knowledge of finance do not necessarily lead to investment actions. In general, the findings above show that psychology (awareness and trust) and facilitators (accessibility) are more important than economic ability and knowledge when considering mutual fund investment behavior among Nepali investors in terms of Theory of Planned Behavior.

Implications

SEBON should strengthen regulatory transparency, improve the accessibility of mutual fund investment services and promote investor awareness to increase participation in Nepal's mutual fund market.

Mutual fund managers should enhance transparency, provide timely and reliable investment information and improve the accessibility of mutual fund services to strengthen investor trust and encourage long-term investment.

Financial institutions should conduct practical investor awareness programs and simplify access to mutual fund products through convenient banking and digital platforms.

Policymakers should prioritize policies that enhance financial accessibility, strengthen institutional trust and increase financial awareness, as these factors were found to significantly influence mutual fund investment behavior.

Future studies should examine additional behavioral, technological and institutional determinants of mutual fund investment behavior using larger and more diverse samples to improve the generalizability of the findings.

Limitations

Firstly, the use of convenience sampling ($N = 100$) limits the generalizability of the results due to oversampling of urban (73%) and male (71%) investors who may not be representative of the total investor base of Nepal. Secondly, the use of Likert-type scale can cause response bias and hence affect the validity of variables being measured. Thirdly, the factors influencing financial inclusion such as awareness, affordability, literacy, accessibility and trust have been used and others left out. Lastly, the cross-sectional design measures the association between factors at one point in time but does not measure causality. It does not show whether changes in financial inclusion factors influence mutual fund investments.

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