

Associated Factors with the Mutual Funds Growth in Pokhara Metropolis

Baburam Lamichhane

Lecturer, Faculty of Management
Prithivi Narayan Campus, Pokhara

Abstract

Received: 12 Feb 2024

Revised : 15 Mar 2024

Accepted: 5 May 2024

This study investigates the growth and development of mutual funds in Nepal, focusing on key factors influencing their success such as investor interest, market conditions, and mutual fund schemes. Employing a quantitative research approach and descriptive research design, the study aims to evaluate the relationship between these factors and explore the investment opportunities mutual funds offer. Data was collected through purposive sampling from a sample of 250 respondents. Findings reveal that most respondents perceive a positive relationship between mutual fund performance and factors like stock market trends, economic conditions, and the regulatory environment. However, opinions differ regarding the impact of interest rate fluctuations and mutual fund performance across varying market conditions. The study provides meaningful insights for investors, fund managers, policymakers, and regulators to better understand the dynamics of mutual fund growth in Nepal and enhance strategies for market development.

Keywords: growth, investors' interest, market condition, mutual fund schemes, performance, stakeholders

Introduction

A mutual fund is a nature of investment design that collects money from various investors to attain a distinguished portfolio of securities such as stocks, bonds, and other financial offshoots. The mutual fund is able by a professional fund manager who funds the collective money in diverse securities based on the fund's investment resolutions and strategy in other words mutual fund is for those investors who don't have extensive assess of capital and acceptable knowledge how to finance in securities of bond, debenture and other financial assets (Tyson, 2016). The growth of assets in mutual funds has enlarged strongly over the past eras and mutual fund investment has enhanced a major role in the financial market this mutual fund in terms of Nepali mutual funds the venture mutual fund is also evolving according to the annual explosion of security board of Nepal the stock on mutual fund in fiscal year 78/79 is Rs 6.9 billion which is lower than the previous year which was Rs 9.9 billion in SEBON report 2022. These crash exhibitions the investors' interest in mutual fund budding.

Literature Review

The mutual fund industry has realized enormous growth in size and assortment, with more projected funds engrossed on shorter speculation prospects, less consciousness of business nationality, and more contemplation on asset gathering and advancement. The portfolio manager system remnants significant mutual fund managers who have the considerate and proficiency to mark speculative resolutions on behalf of their investors but the industry is higher and more diverse, with more nonrepresentational funds concentrating on shorter investment situations and less conscious of business citizenship (Bogle, 2005). Mutual fund patterns provide new opportunities to investors open ended mutual fund systems are those structures that don't have a maturity period, are not scheduled in the stock market and these systems offer new units of sale, and are equipped to buy at any time (Bahl & Rani, 2012).

In the case of a close-ended mutual fund scheme it has a secure maturity period and is transacted on the stock market in this outline management intensification a assured amount of capital from investors and buys a portfolio of securities which will be accomplished by professionals according to its contract (Lee et al., 1990). The market circumstance of a mutual fund is exaggerated by several factors change in rules and regulation is one of them since COVID 19

pandemic occurred in the past few years the economic consequences disturbed normal procedure in all sectors comprising mutual fund growth of COVID 19 cases influence the return of stock market which touch the condition of mutual fund and fund managers employ their expertise to modification in the arrangement of their investment. To reflect changing economy and market conditions to accomplish risk of their portfolio.

In terms of knowledge of the numerous financial securities currently available in the Nepalese capital market, the investors have a high understanding of fixed deposits, medium understanding with shares, and low consciousness of bonds and debentures, and money market tools. From the analysis, it was acknowledged that mutual funds could be an admirable institution for connecting the gap between individual investors and expected businesses in Nepal. It could be the medium to attraction small Nepalese investors to assistance them attain into the Nepalese securities market (Kadel, 2019). The government of Nepal should also expressive different laws and policies concerning mutual funds so that the general public can disseminate the different types of mutual funds and takings decisions regarding investment in them. The enactment of the mutual fund is influenced by different factors, the study of Haralayya (2022) exposed that the performance of mutual funds can be affected by various aspects. Investor preferences and expectations of play important role in deciding the performance projections of mutual funds. Moreover, the application of risk decline strategies by fund managers can influence the overall performance of funds. Moreover, relative studies between Islamic and conventional mutual funds have materialized as an area of interest, exposing the performance differences between these two types of funds.

Likewise, mutual Funds do not deliver definite returns, but their returns are connected to their performance they capitalize in shares, debentures, and bonds, which implicate an component of risk if a company does absences in payment of interest and principal on their debentures and bonds the performance of the fund may be exaggerated additionally if there is an unexpected recession in an industry or government regulation marks a particular industry or company the performance of the fund may be disapprovingly affected these factors affect the increasing of mutual funds (Vasista, 2022). Mutual fund performance can be pretentious by the characteristics of the essential assets and the investment strategies involved by fund managers' factors, such as expense ratios, fund size, portfolio turnover, and age of the fund that may incentive the mutual fund performance (Pant et al., 2022). Vigorous mutual funds in families with a greater demonstration of index mutual

funds generate a higher gross performance (Dannhauser & Spilker, 2023). Decreasing economic policy uncertainty may endorse more constant investment activities and diminish the potential for extreme risk-taking by mutual funds (Luo et al., 2023).

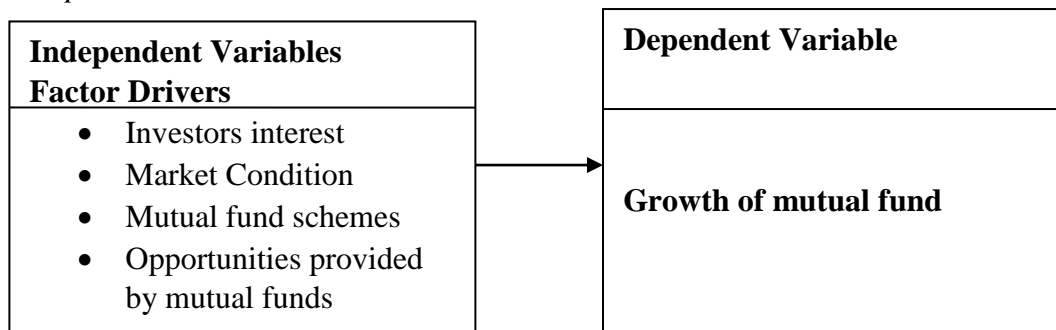
The progression of mutual funds in Nepal has understood significant impetus in recent years, but several factors underwriting to this growth continue yet to be fully assumed understanding the key drivers behind the progress of mutual funds in the Nepalese market is essential to take advantage of on the opportunities obtainable by this investment opportunity and to discourse potential challenges while mutual funds offer several opportunities to investors, it is crucial to explore and appreciate the specific benefits they deliver the relationship between investors interest and their choice of mutual fund systems necessitates in-depth examination. Identifying the factors influencing investors' decisions, whether based on risk enthusiasm, investment horizon, or return expectations can help mutual fund providers tailor their presents to cater to investors' different needs. Thus, the main objective of the study is to expose the factors connected with the mutual fund market and their performance relationship in Nepal.

Conceptual Framework

Based on the literature review and research gap the following framework has been established to explore the factor motorist growth of mutual funds. Factor driver's effort as an independent variable and the growth of mutual funds a dependent variable

Fig. 1

Conceptual Framework



Investors Interest

Investors' interest is constantly measured a main factor that touches the growth of every financial segment counting mutual funds. This variable comfort to measure the degree to which investors are apprehensive in investing in mutual funds and reproduces the level of appeal for mutual funds among investors. (Saini et al., 2011) their study aristocratic Investors awareness and perception about Mutual Funds mentioned investors' interests can impact by their level of satisfaction, the objective behind the investment, the role of a financial advisor, market trends, and return from mutual funds.

Market Condition

The market condition signifies the overall state of the financial market and the broader economy which can influence the growth of mutual funds. Stock market performance, interest rate, economic condition, and regulatory environment affect the market condition of mutual funds. (Alexander & Stover, 1980) studies the consistency of mutual fund performance during numerous market conditions the market condition they reference was the bull market and bear market condition.

Mutual Fund Schemes

Schemes delivered by mutual funds support investors to pool their money together and invest in a different portfolio of stocks. In Nepal open-ended mutual fund and close-ended mutual fund schemes are accessible this study analyzes the relationship between the investors' interest in both schemes.

Opportunities Provided by Mutual Funds

It denotes to the benefits that mutual funds offer to investors. Dunna (2012) in his study of mutual funds in India issues, opportunities, and challenges stated divergence, professional management, broadening the revenue base without appropriate cost increases, systematic investment plan, and easy contact to a variety of investment choices. These opportunities can entice more investors to the mutual fund industry and pay to its growth.

Growth of mutual fund

The growth of mutual funds denotes to the increase in size, assets under management, or market share of mutual funds over a precise period. The growth of mutual funds is subjective by numerous factors and is a important indicator of the

health and approval of the mutual fund industry assets under management, Number of mutual fund schemes and the Return and performance of mutual fund companies are measured some of the indicators of growth of mutual fund schemes.

Research Methodology

This study uses a quantitative research and descriptive research design to understand the factors driving mutual fund growth in Nepal. The research includes a sample of 250 investors from Kumari dhanabridha yojana, NIBL pragati fund, Global IME balance fund, and Laxmi equity funds in Pokhara city. The data collected is numerical, allowing for objective measurement and statistical analysis. The study uses descriptive analysis to present the data in tables and percentages, analyzing the position of factors driving mutual fund growth and exploring opportunities provided by mutual funds. The correlation coefficient is used to analyze the relationship between investors' interests and mutual fund schemes. The data was analyzed using MS Excel and SPSS version 20.

Result and Discussion

The primary goal of this chapter is to deliver a complete understanding of how factors such as investor interest, market conditions, mutual fund schemes, and opportunities delivered by mutual funds are related with the growth of the industry. The results will be obtainable exhausting numerous statistical measures, comprising mean, standard deviation, and coefficient of variation, to analyze the responses attained from the survey participants.

Investors Interest

In this section an attempt has been completed to find out the actual level of investors' interest toward mutual fund schemes among the investors so the current study has been intended in five separate variables relating to different levels of interest of investors these are the following variables. Investors are attentive in mutual funds rather than other securities, Investors' investment in mutual funds support with their financial goal and objectives, Investment decision of investors are predisposed by the guidance providing by financial advisors, and the Investment decision of investors are compressed by current market trend and Investor are contented with the return of mutual fund systems and the mean, standard deviation, and CV are shown in the following table.

Table 1*Descriptive Statistics of Investors' Interest*

Variables	Total sum	Mean	S. D	C.V (%)
Investors are interested in mutual funds rather than other securities.	135	2.7	0.839	31.078
Investors' investment in mutual funds align with their financial goal and objectives	134	2.68	0.844	31.48
The investment decisions of investors influence by the guidance provided by financial advisors	149	2.98	0.979	32.858
Investment decision of investors' impact by current market trend.	182	3.64	0.898	24.672
Investors are satisfied with the return of mutual fund schemes.	110	2.2	0.968	44.041

n=250

Table 1 explores the descriptive result of the variables of investors' interest in mutual funds. The table shows the level of interest in mutual fund investments compared to other securities. The average response is 2.7 with a relatively moderate standard deviation of 0.839 suggesting a moderate level of agreement or interest among the respondent the coefficient of variation (CV %) is 31.078 indicating a moderate level of relative variability around the mean. The second variable investor's investment in mutual funds align with their financial goal and objectives this variable assesses the alignment of respondents' mutual fund investments with their financial goals and objectives the average response is 2.68 which is relatively similar to the previous variable the standard deviation is also comparable at 0.844 suggesting a moderate level of agreement the coefficient of variation (CV%) is 31.48 indicating a similar level of relative variability as the previous variable. The third variable investment decision of investors influence by guidance provided by financial advisors and this variable explores the influence of financial advisors' advice and guidance on respondents' decisions to invest in mutual funds the average response is 2.98 which is higher compared to the previous variables the standard deviation is also higher at 0.979 indicating a slightly wider range of responses the coefficient of variation (CV%) is 32.858 showing a moderate level of relative variability around the mean the fourth variable investment decision of investors impact by current market trend assesses the impact of current market trends.

On respondent's decisions to invest in mutual funds the average response is 3.64 indicating a higher level of agreement or influence compared to the other variables the standard deviation is 0.898 suggesting a relatively narrow range of responses the coefficient of variation (CV%) is 24.672 indicating a lower level of relative variability around the mean compared to previous variables the fifth variable investor are satisfied with the return of mutual fund schemes which evaluates respondents satisfaction with the returns from their mutual fund investments the average response is 2.2 which is lower compared to other variables the standard deviation is relatively higher at 0.968 indicating a wider range of satisfaction levels among the respondents.

Market Condition

In this section, an attempt has been made to find out the awareness level of market conditions in selected respondents and what they think about the variable which affects the market condition, therefore, the present study has been designing in five separate variables relating to the different condition and the variables are as follow Performance of stock market impact the performance of mutual funds, Fluctuation of interest rate affect the performance of mutual funds, Economic condition of country impact the performance of mutual funds, Regulatory environment impact the performance of the mutual fund and Performance of mutual funds is consistency during bull and bear market.

Table 2

Descriptive Statistics of Market Condition

Variables	Total sum	Mean	S. D	C.V (%)
The performance of the stock market impacts the performance of mutual funds	208	4.16	0.866	20.81
Fluctuation of interest rate affect the performance of mutual funds	198	3.96	0.947	23.91
The economic condition of the country impacts the performance of mutual funds	219	4.38	0.725	16.56
The regulatory environment impacts the performance of the mutual fund	214	4.28	0.834	19.49
The performance of mutual funds is consistent during bull and bear market	181	3.62	0.967	26.7

n=250

Table 2 assess the performance of stock market impact the performance of mutual funds this variable assesses the perceived impact of the stock market on the performance of mutual funds the average response is 4.16 indicating a relatively high level of agreement or belief in the influence of the stock market on mutual fund performance the standard deviation of 0.866 suggests a moderate range of responses indicating some variability in perceptions the coefficient of variation (CV%) is 20.81 suggesting a moderate level of relative variability around the mean then the second variable Fluctuation of interest rate affect the performance of mutual funds explores the perceived impact of interest rate fluctuations on the performance of mutual funds the average response is 3.96 indicating a moderate level of agreement or belief in the influence of interest rates on mutual fund performance the standard deviation of 0.947 suggests some variability in responses indicating different perceptions among the respondents the coefficient of variation (CV%) is 23.91 indicating a moderate level of relative variability around the mean economic condition of country impact the performance of mutual funds assesses the perceived impact of the overall economic condition of the country.

For the performance of mutual funds, the average response is 4.38 indicating a relatively high level of agreement or belief in the influence of the economic condition on mutual fund performance the standard deviation of 0.725 suggests a narrower range of responses indicating a higher level of agreement among the respondents the coefficient of variation (CV%) is 16.56 suggesting a lower level of relative variability around the mean compared to previous variables regulatory environment impact. The performance of mutual fund this variable explores the perceived impact of the regulatory environment on the performance of mutual funds the average response is 4.28 indicating a relatively high level of agreement or belief in the influence of regulations on mutual fund performance the standard deviation of 0.834 suggests a moderate range of responses indicating some variability in perceptions. The coefficient of variation (CV %) is 19.49 suggesting a moderate level of relative variability around the mean. The performance of mutual funds is consistent during bull and bear markets. This variable evaluates the perception of the consistency of mutual fund performance during both bull and bear market conditions the average response is 3.62 indicating a moderate level of agreement or belief in the consistency of mutual fund performance. The standard deviation of 0.967 suggests some variability in perceptions, indicating different viewpoints among respondents.

Mutual Fund Schemes

In this section of the study, an attempt has been made to know about the investor's preferences toward mutual fund schemes available in the market to achieve this goal five different variables related to Preference toward different mutual fund schemes are selected.

The five different variables are Investors are interested in open-ended mutual funds compared to close-ended, Open-ended mutual fund is less risky than a close-ended mutual fund, the Potential return of the open-ended mutual fund is higher than close-ended mutual fund, Investors are satisfied with the structure and duration of close-ended mutual fund and Investors are satisfied with the flexibility provided by the open-ended mutual fund.

Table 3
Descriptive Statistics of Mutual Fund Schemes

Variables	Total sum	Mean	S. D	C.V (%)
Investors are interested in open-ended mutual funds compared to close-ended	179	3.58	0.785	21.92
Open-ended mutual fund is less risky than close-ended mutual fund	178	3.56	0.787	22.1
Potential returns from open-ended mutual fund schemes are high compared to closed-ended mutual fund schemes.	175	3.5	0.763	21.79
Investors are satisfied with the structure and duration of close-ended mutual fund	121	2.42	0.971	40.12
Investors are satisfied with the flexibility provided by open-ended mutual fund	170	3.4	0.7825	23.014

n=250

Table 3 reveals that first constructs average response is 3.58 indicating a moderate level of interest in open-ended mutual fund schemes compared to closed-ended schemes the standard deviation of 0.785 suggests some variability in responses indicating that there are different levels of interest among the

respondents the coefficient of variation (CV%) is 21.92 suggesting a moderate level of relative variability around the mean the average response for the second variable is 3.56 indicating a moderate level of agreement that open-ended mutual funds are less risky than closed-ended ones the standard deviation of 0.787 suggests some variability in responses indicating different perceptions among the respondents the coefficient of variation (CV%) is 22.1 indicating a moderate level of relative variability.

Around the mean, the average response for the third variable is 3.5 indicating a moderate level of agreement that open-ended mutual fund schemes have higher potential returns compared to closed-ended schemes the standard deviation of 0.763 suggests some variability in responses indicating different perceptions among the respondents. The coefficient of variation (CV%) is 21.79 indicating a moderate level of relative variability around the mean and then the average response for the fourth variable is 2.42 indicating a lower level of satisfaction with the structure and duration of closed-ended mutual fund schemes. The higher standard deviation of 0.971 suggests a wider range of responses indicating different levels of satisfaction among the respondents. The coefficient of variation (CV %) is 40.12 indicating a higher level of relative variability around the mean compared to the previous variables. The average response for the fifth variable is 3.4 indicating a moderate level of satisfaction with the flexibility provided by open-ended mutual fund schemes compared to closed-ended schemes. The standard deviation of 0.7825 suggests some variability in responses indicating different levels of satisfaction among the respondents. The coefficient of variation (CV%) is 23.014 suggesting a moderate level of relative variability around the mean these results indicate varying levels of interest, perception of risk, perception of potential returns, and satisfaction.

Opportunities Provided by Mutual Funds

An attempt has been made to know about the perception of the investors about opportunities provided by mutual funds and to know these five different variables related to opportunities provided by mutual funds are selected those five different variables are Mutual funds provide a diversified investment portfolio, Professional management play important role in the success of mutual fund, Mutual fund expand the revenue without significant increase in cost, Systematic investment plan offered by mutual fund for disciplined investing and Mutual fund provide easy access to wide range of investment.

Table 4*Descriptive Analysis of Opportunities Provided by Mutual Fund*

variables	Total sum	Mean	S.D	C.V (%)
Mutual funds provide a diversified investment portfolio	186	3.72	0.671	18.05
Professional management plays an important role in the success of the mutual fund	197	3.94	0.767	19.46
Mutual funds allow for the expansion of revenue without a significant increase in costs	183	3.66	0.8478	23.164
Systematic investment plan offered by mutual funds for disciplined investing	170	3.4	0.782	23.01
Mutual funds provide easy access to a wide range of investment options	183	3.66	0.745	20.37

n=250

Table 4 presented the mean, standard deviation, and CV of selected different variables and the first statement is mutual funds provide a diversified investment portfolio the mean score of 3.72 indicates that, on average respondents leaned towards agreeing that mutual funds provide a diversified investment portfolio the relatively low standard deviation 0.671 and coefficient of variation 18.05 percent suggest that there was relatively less variation or disagreement among respondents regarding this statement and the second professional management play important role in the success of mutual fund mean score of 3.94 suggests that, on average, respondents were inclined to agree that professional management is crucial for the success of a mutual fund the standard deviation 0.767 and coefficient of variation 19.46 percent indicate a moderate level of variation or disagreement among respondents.

On this statement and the mutual funds allow for the expansion of revenue without a significant increase in costs mean score of 3.66 indicates that, on average, respondents were neutral or slightly leaning towards agreement that mutual funds can expand revenue without a significant increase in costs the higher standard

deviation 0.8478 and coefficient of variation 23.164percent suggest a relatively higher level of variation or disagreement among respondents on this statement compared to the previous two statements and systematic investment plan offered by mutual funds. For disciplined investing mean score of 3.4 indicates that, on average, respondents were slightly leaning towards agreement that systematic investment plans offered by mutual funds encourage disciplined investing the standard deviation of 0.782 and coefficient of variation of 23.01 percent suggest a relatively higher level of variation or disagreement among respondents on this statement and the last statement mutual funds provide easy access to a wide range of investment options mean score of 3.66 suggests that on average, respondents were neutral or slightly leaning towards agreement that mutual funds provide easy access to a wide range of investment options. The standard deviation of 0.745 and coefficient of variation of 20.37 percent indicate a moderate level of variation or disagreement among respondents on this statement.

Growth of Mutual Funds

In this section of the study, an attempt has been made to what investors think about the involvement of public sectors, assets under management of mutual funds, market share of mutual funds, and how important is mutual funds growth to know about all these things five different variables which related with the growth of mutual funds are selected.

The variables are the Presence of public sector mutual funds is expanding the overall market size of mutual funds, Assets under management of mutual funds have grown over the specific period, Mutual fund's market share compared to other investment options, The growth of the mutual fund is important for the overall development of the investment industry and Lack of awareness among investors hinders the growth of the mutual fund.

Table 5*Descriptive Statistics of Growth of Mutual Fund*

Variables	Total sum	Mean	S.D	C.V (%)
The presence of public sector mutual funds is expanding the overall market size of mutual funds	196	3.92	0.853	21.77
The assets under management of mutual funds have grown over the specified period	190	3.8	0.948	24.94
Mutual fund's market share compared to other investment options	154	3.08	0.877	28.47
The growth of mutual funds is important for the overall development of the investment industry	193	3.86	0.833	21.59
Lack of awareness among investors hinders the growth of mutual funds	213	4.26	0.777	18.25

n=250

Table 5 provides additional statistical measures for each variable in the survey presence of public sector mutual funds is expanding the overall market size of mutual funds and has a relatively high mean value of 3.92 indicating that, on average, respondents tend to agree or strongly agree. With the statement, the low standard deviation of 0.853 suggests that responses are clustered closely around the mean the coefficient of variation (C.V) of 21.77 percent indicates moderate variability in responses to the assets under management of mutual funds have grown over the specified period. A similar mean of 3.8 indicates that respondents generally agree or strongly agree with the statement however the higher standard deviation of 0.948 suggests a slightly wider spread of responses compared to the previous variable the coefficient of variation (C.V) of 24.9 percent indicates relatively higher variability in responses compared to the first variable than mutual funds market share compared to other investment options. The mean value for this variable is 3.08 indicating a more neutral response on average the standard deviation of 0.877 is comparable to the previous variable, suggesting a similar spread of responses however the coefficient of variation (C.V) of 28.47 percent indicates relatively higher variability compared to the first two variables the growth

of mutual funds is important for the overall development of the investment industry.

The mean value for this variable is 3.86 indicating that respondents generally agree or strongly agree with the statement the standard deviation of 0.833 is relatively low suggesting a narrower spread of responses the coefficient of variation (C.V) of 21.59 percent indicates moderate variability similar to the first variable lack of awareness among investors hinders the growth of mutual funds. The highest mean value of 4.26 indicates that respondents strongly agree or agree with the statement on average the standard deviation of 0.777 is the lowest among all the variables, indicating a relatively tight cluster of responses the coefficient of variation (C.V) of 18.25 percent suggests lower variability compared to the other variables.

Relationship between Dependent and Independent Variables

In this section an effort has been complete to analyze the relationship between the variables and the test of the alternate hypothesis by using the p-value table no. 6 shows the calculated value of correlation and Significance value.

Table 6

Relationship between the Variables and Test of Hypothesis

Variables	Pearson correlation	P-Value
Investors interest	-0.019	0.894
Market condition	0.583	0.001
Mutual fund scheme	0.499	0.001
Opportunities provided by mutual fund	0.665	0.001
Growth of mutual fund	0.459	0.001

Table 6 affords valuable understandings into the relationship between various variables and the growth of a mutual fund. The Pearson correlation coefficients disclose the strength and way of the linear association between the variables among the variables observed the growth of the mutual fund variable displays a perfect positive correlation with itself which is anticipated.

The correlation coefficient between investors' interest and the growth of the mutual fund is insignificant this advises that there is no significant linear

relationship between investors' interest and the fund's growth. Similarly, the correlation coefficient between market situations and the growth of the mutual fund designates a relatively significant relationship it specifies that while market situations may have a positive effect on the fund's growth other elements likely play a more extensive role. On the other hand, the variables of mutual fund arrangements and opportunities providing by mutual funds prove significant relations with the growth of the mutual fund the former displays a moderately positive correlation indicating that the design and structure of the mutual fund scheme have positive significant relative to its growth. The latter variable opportunities providing by mutual fund indications a relatively positive relation this proposes that the accessibility of promising investment opportunities within the mutual fund can underwrite to its growth.

The table suggests that elements such as the mutual fund pattern and the opportunities delivered by the mutual fund, market condition, and mutual fund systems are expected to have a more extensive influence on the growth of the fund associated to investors' interest and market situations.

Discussion

The analysis of investor behavior and perceptions reveals significant insights into the evolving mutual fund landscape in Nepal. This study indicates that investors' interest in mutual funds is shaped by their financial goals, satisfaction with mutual fund schemes, and the influence of financial advisors. The findings emphasize the need for educational innovation and improved communication strategies to enhance investor understanding and align mutual fund products with their expectations.

These findings align with Poudel (2010), who examined the mutual fund industry across Asia/Pacific countries. According to his study, Australia and Japan held the majority of mutual fund assets in the region, while India accounted for only 2.28%, and Nepal remained in the early stages of development. Poudel also compared the performance metrics of two Nepali mutual funds, CUS and NCM, and concluded that mutual funds offer opportunities for risk-averse investors through diversified portfolios. The current study supports this conclusion, indicating a generally positive perception of mutual funds among Nepali investors.

Bajracharya (2016) found that mutual funds provide advantages such as diversification, liquidity, and tax benefits, granting investors access to opportunities that may otherwise be out of reach. However, he also noted that most funds did not outperform their benchmarks. This study similarly observes that only a small portion of investors are satisfied with mutual fund returns and that many investors tend to follow market trends rather than rely on financial advisors—reinforcing Bajracharya’s (2016) observation about investor behavior.

Dangol and Shakya (2017) noted that individuals with low financial literacy tend to prefer short-term investment options. Pokhrel (2018) reported that investors often make decisions based on broker advice and the perceived liquidity and yield of shares. While these studies reflect preferences for high liquidity and short-term gains, the present study reveals lower satisfaction with mutual fund returns. This inconsistency suggests a shift in investor expectations or dissatisfaction with actual performance, highlighting the need for enhanced financial literacy and better alignment between mutual fund offerings and investor goals.

Kadel (2019) emphasized that investors favor open-ended mutual funds due to perceived lower risk and higher potential returns. He recommended that mutual fund companies provide accessible and comprehensive information to match investors' preferences. The current findings support Kadel’s (2019) conclusions, noting investor satisfaction with the structure and flexibility of such funds and reinforcing the importance of investor education and transparent communication.

Shrestha and Shrestha (2020) asserted that investor perception plays a key role in mutual fund growth. They found that individuals with a positive view of mutual funds were more likely to invest. Their study also highlighted the impact of financial advisor guidance and market performance on investment decisions. The present study confirms these findings, as investors acknowledge mutual funds as tools aligned with their financial objectives, although some express dissatisfaction with returns.

Haralayya (2022) emphasized the influence of macroeconomic indicators—such as GDP, inflation, and interest rates—on mutual fund performance. This study supports those findings, showing that market conditions, including stock market performance, interest rate fluctuations, and regulatory environments, significantly affect investor behavior and mutual fund growth in Nepal.

Overall, the current study confirms much of the previous literature while also identifying certain gaps and inconsistencies, particularly in investor satisfaction and behavior. These insights underline the importance of improved investor education, the development of investor-centric products, and proactive market communication to foster a more informed and confident mutual fund investor base in Nepal.

Conclusion

The study concludes that the growth and success of mutual funds in Nepal are closely linked to investor awareness, market conditions, and effective communication strategies. Findings indicate that while many investors rely on self-analysis and informal sources such as family members for investment decisions, there is a clear need for structured educational initiatives that provide comprehensive, transparent information about mutual funds, including their benefits, risks, and performance indicators. Additionally, the study underscores the influence of market dynamics such as interest rate fluctuations and economic conditions—on investor perception and mutual fund performance. These insights suggest that mutual fund managers and investment firms must not only track market trends but also maintain open and clear communication with investors to manage expectations and build trust. Overall, the research contributes valuable insights to the evolving mutual fund landscape in Nepal and offers practical implications for policymakers, industry practitioners, and researchers. By enhancing investor education, developing tailored investment products, and improving market monitoring practices, stakeholders can foster a more robust and inclusive mutual fund environment that encourages broader investor participation in the future.

References

- Alexander, G. J., & Stover, R. D. (1980). Consistency of mutual fund performance during varying market conditions. *Journal of Economics and Business*, 32(3), 219-226.
- Bahl, S., & Rani, M. (2012). A comparative analysis of mutual fund schemes in India. *International Journal of Marketing, Financial Services & Management Research*, 1(7), 67-79.
- Bajracharya, R. B. (2016). Mutual fund performance in Nepalese mutual fund units: An analysis of monthly returns. *Journal of Advanced Academic Research*, 3(2), 92-100.
- Bogle, J. C. (2005). The mutual fund industry 60 years later for better or worse. *Financial Analyst Journal*, 61 (1), 15-24. <http://www.jstor.org/stable/4480631>
- Dangol, J., & Shakya, R. (2017). Investment pattern of financially literate persons in Nepal. *International Research Journal of Management Science*, 2(1), 34-51. <https://doi.org/10.3126/irjms.v2i0.28045>
- Dannhauser, C. D., & Spilker III, H. D. (2023). The modern mutual fund family. *Journal of Financial Economics*, 148(1), 1-20.
- Dunna, M. (2012). A mutual fund in India issues, opportunities & challenges. *Asia Pacific Journal of Marketing & Management Review*. 1(2), 240-249.
- Haralayya, B. (2022). Study on performance evaluation of mutual funds. *Iconic Research and Engineering Journals*, 5(10), 29-36.
- Kadel, L. R. (2019). Investor's preference towards mutual fund: analytical evidence from Kathmandu valley. *Silver Jubilee Issue PRAVAHA*. 25(1), 103-111.
- Lee, C. M. C., Shleifer, A., & Thaler, R. H., (1990). Closed-end mutual fund. *Journal of Economic Perspectives*, 4(4), 153-164.
- Luo, D., Jiang, S., & Yao, Z. (2023). Economic policy uncertainty and mutual fund risk shifting. *Pacific-Basin Finance Journal*, 77, 101921.

- Pant, R., Ghimire, B., & Dhakal, R. K., (2022). Determinant of mutual fund performance in Nepal. *Nepal Journal of Multidisciplinary Research*, 5(5), 1-16.
- Saini, S., Anjum, B., & Saini, R. (2011). Investors' awareness and perception of mutual funds. *Journal of Banking Financial Services and Insurance Research*, 1(1), 92-107.
- Shrestha, D. & Shrestha, Y. (2020). Factors influencing investment in mutual fund schemes of nepal. *Journal of Business and Social Sciences*, 5(2), 15-34. <https://doi.org/10.3126/jbssr.v5i2.35231>
- Tyson, E. (2016). *Mutual funds for dummies*. (2nd. Ed.), Jhon Wiley & Sons, Inc.
- Vasista, K. (2022). Types and risks involved in investing in mutual funds. *International journal of current science*, 12(1), 360-365.