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Awareness and Perception of Investors towards the Mutual Fund Investment

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ABSTRACT

The study examines the awareness levels and perceptions of Nepalese investors toward mutual funds, with a focus on critical determinants such as financial literacy, risk perception, return expectations, and investment criteria. A structured survey was conducted among 115 investors in the Kathmandu Valley to assess their understanding, preferences, and challenges related to mutual fund participation. The findings show that although investors acknowledge the benefits of mutual funds, such as professional management and diversification, a significant knowledge gap still exists, with many lacking the financial literacy necessary to confidently navigate these instruments. Decision-making is heavily influenced by risk perception and return expectations, which frequently discourage potential investors because of perceived volatility or unfulfilled profit targets. Participation rates are also influenced by investing criteria, such as prior experiences and market openness. In order to allay investor concerns and promote trust, the report emphasizes the necessity of focused financial literacy initiatives, strengthened regulatory frameworks, and increased transparency. Policymakers, financial institutions, and fund managers are given helpful advice on how to match policies with investor demands and promote mutual fund expansion. Future studies should look at how digital platforms can make mutual fund education and accessibility easier on a national level.

Jel classification: G21, P33, E2

1. INTRODUCTION

Mutual funds have become one of the most popular investing options globally, allowing individuals to invest in professionally managed portfolios that provide diversification and liquidity. These funds pool resources from a large number of investors to invest in various financial products like as equities, bonds, and money market securities, catering to a wide range of risk preferences and investment objectives (Shah & Gupta, 2021). Mutual funds have evolved as an important component of individual financial planning in advanced nations, owing to strong regulatory frameworks and increased financial awareness (Arora & Jain, 2020). Investors benefit from mutual funds primarily because they provide competent management of their investments at a low cost. Nonetheless, mutual funds are a relatively new concept in emerging markets such as Nepal, and they have yet to become a popular investment alternative. The Securities Board of Nepal (SEBON) oversees Nepal's mutual fund sector, which was established to strengthen the capital market and increase financial inclusion. In the last ten years, the market has seen the launch of numerous schemes controlled by firms such as Siddhartha Capital and NIBL Ace Capital, which aim to serve both institutional and individual investors. Despite these attempts, the industry has grown at a slower rate than expected. Insufficient awareness, poor financial literacy, and a lack of trust in financial institutions continue to impede investor participation (Thapa & Dhakal, 2022).

A fundamental barrier to mutual fund acceptance in Nepal is a general lack of financial literacy. According to research, a considerable portion of the populace is unaware of the benefits and operation of mutual funds, often perceiving them as dangerous investments (Adhikari et al., 2020). This lack of awareness has resulted in low participation rates, particularly among individual investors who may benefit from mutual funds' expert management and risk reduction capabilities. Along with financial literacy, trust has a huge influence on how investors view things. Mismanagement and insufficient transparency have plagued Nepal's financial industry, leading in a lack of investor trust (Rana & Shakya, 2021). Mutual fund companies should address these challenges by developing transparent practices, ensuring accountability, and maintaining continuous communication with investors. These efforts are critical for building confidence and encouraging more participation in the mutual fund industry.

The COVID-19 epidemic has increased the importance of diversification in financial portfolios. As traditional investment options such as real estate and fixed deposits struggle during the economic crisis, mutual funds have emerged as a promising alternative for achieving long-term financial goals (Bista et al., 2021). Nonetheless, due to the aforementioned challenges, mutual funds' potential to generate economic growth and financial inclusion in Nepal remains largely untapped.

Although much study has been conducted on mutual funds in established countries, there is a scarcity of empirical studies on emerging economies like Nepal. Current research focuses mostly on macro-level trends, with little attention paid to micro-level factors such as individual and institutional investor behavior and perceptions.

This study intends to close this gap by conducting a thorough investigation of investors' awareness and attitudes in Nepal's mutual fund sector. In doing so, it hopes to help develop practical ways for increasing investor participation and market growth.

This study is motivated by the untapped potential of mutual funds to increase financial inclusion and stimulate economic growth in Nepal. As a young finance professional, eagerness to learn about the factors that influence investor behavior and find solutions to current problems is a priority. This study has the potential to contribute to the development of a strong and sustainable mutual funds sector in Nepal, which might serve as a significant accelerator for financial inclusion and growth.

This study aims to assess the current level of mutual fund awareness among Nepalese investors, as well as their perspectives on the safety, returns, and transparency associated with these financial products. The study's goal is to show the barriers to mutual funds' expansion and attractiveness in the Nepalese market by identifying the critical factors that influence their acceptability. Furthermore, the study intends to provide concrete recommendations to strengthen investor trust and promote greater market participation. In doing so, it hopes to help construct a vibrant mutual fund sector that aligns with Nepal's broader goals of financial inclusion and economic development.

This study is significant for several parties concerned. It addresses knowledge gaps for investors, allowing them to make informed decisions. For fund managers, the data might help them improve marketing and communication strategies in order to better fulfill investor needs. The findings can help regulatory authorities such as SEBON develop policies targeted at increasing investor protection and promoting market growth. Furthermore, the research contributes to scholarly work by increasing our understanding of mutual funds, particularly in developing nations. The following are the study's hypotheses.

H1: There is a positive relationship between financial literacy and the awareness and perception of investors towards mutual fund investments.

H2: Risk perception has a significant effect on the awareness and perception of investors towards mutual fund investments.

H3: Return perception significantly and positively influences the awareness and perception of investors towards mutual fund investments.

H4: Investment criteria significantly and positively influence the awareness and perception of investors towards mutual fund investments.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Mutual funds have been extensively studied in a variety of contexts, including their impact on financial inclusion and the factors that influence investor behavior. This section brings together key studies to provide a theoretical and empirical framework for understanding mutual fund awareness, perception, and acceptance, particularly in developing countries like Nepal. (Sungjoung Kwon, Michelle, & Yiming Qian, 2020) examined mutual fund investments in private companies. According to the survey, the availability of money to private enterprises through mutual fund investments has expanded considerably during the last 15 years. The study's findings indicate that mutual fund investments will be substantially tied to firm outcomes. The investment will be inversely connected to firm failure and favorably associated to success. K.C. & Bhatta's (2023) study looked at the factors that influence mutual fund investing decisions in Nepal, underlining the importance of financial literacy, risk perception, and peer influence. The study stressed the importance of tailored financial education programs to increase investor involvement in mutual funds. In 2022, Nepal Rastra Bank conducted a "Baseline Survey on Financial Literacy in Nepal," which revealed that the national financial literacy rate was 57.9%. This highlights the importance of comprehensive financial literacy campaigns to promote understanding and participation with financial products, including mutual funds.

Diffusion of Innovation Theory

Everett M. Rogers (2003) established the Diffusion of Innovation (DOI) Theory, which describes how new ideas, technologies, or products spread throughout a society. This idea is especially pertinent in the financial sector, as mutual funds are a relatively new investment vehicle in Nepal, and their success is dependent on how investors become aware of them and perceive their benefits. According to Rogers (2003), the adoption of innovations follows a predictable pattern, and individuals fall into five categories:

1. Innovators: Mutual funds tend to be financially savvy and risk-tolerant individuals.
2. Early Adopters: Influential investors who raise awareness about mutual funds.
3. Early Majority: Investors who choose mutual funds based on past achievements.
4. Late Majority: Skeptical investors who need to establish trust before investing.
5. Laggards: Traditional investors who prefer fixed deposits and real estate are considered laggards and averse to change.

The theory also says that in order to improve mutual fund acceptance, clear communication, risk mitigation methods, and focused financial education initiatives are required. Investors must regard mutual funds as accessible, helpful, and trustworthy before incorporating them into their investing portfolios.

Awareness and Financial Literacy

The level of knowledge about mutual funds is a significant element influencing their acceptance. Financial literacy has been identified as an important element in determining investing choices. According to Lusardi and Mitchell (2014), consumers with higher

levels of financial literacy are better able to understand the risk-return connections of mutual funds, leading to more informed decisions. In a similar vein, Bhushan and Medury (2014) observed that financial education had a significant impact on mutual fund adoption rates, particularly in developing nations with little awareness of investment possibilities. Financial literacy can also be defined as integrating investors' knowledge of and responsiveness to financial risks, financial opportunities, informed decisions, information on where to support, and other successful steps to improve the financial well-being of financial instruments and principles (Abdeldayem, 2016). Financial literacy has a beneficial but negligible effect on mutual fund investors' behavior (Saleem et al., 2021). According to research in Nepal, a lack of financial literacy remains a significant impediment to the development of the mutual funds sector. According to Adhikari et al. (2020), many Nepalese investors are unfamiliar with key mutual fund ideas such as diversification and professional management. The study underscored the need of focused educational initiatives in closing the knowledge gap and increasing investor involvement.

Perceptions of Risk and Return

Investors' perspectives on mutual fund security and profitability have a substantial impact on their investing decisions. Numerous research have examined the psychological and behavioral factors that influence these impressions. Statman (1987) proposed that risk perception is typically subjective and influenced by cognitive biases, causing investors to view mutual funds as either excessively risky or overly conservative in comparison to alternative investing options. Saleem et al. (2021) investigated the impact of risk perception on investor behavior in mutual funds.

Joshi and Shrestha (2019) investigated the risk perception of mutual funds among Nepalese investors and discovered that many people believe these assets are less trustworthy than traditional investments like fixed deposits or real estate. This viewpoint is usually influenced by insufficient transparency and inconsistent performance of mutual fund schemes, which damage investor trust.

Trust and Transparency

Trust is vital to any financial system, and a lack of it can significantly limit mutual fund acceptance. According to Guiso et al. (2004), higher confidence in financial institutions leads to increased investment in mutual funds. According to Rana and Shakya (2021), trust deficits offer a substantial barrier for the mutual fund business in Nepal, resulting from financial mismanagement and a lack of regulatory oversight. To increase investor trust, the research proposed boosting openness and accountability through the implementation of robust governance systems.

Role of Regulation and Policy

Regulatory frameworks are critical for the growth of mutual fund industries. SEBON, Nepal's regulatory authority, has implemented steps to encourage mutual funds, including

investor protection protocols and incentives for fund managers. Nonetheless, Singh and Sharma (2019) claimed that in order to achieve meaningful results, regulatory activities must be supported by market-oriented efforts such as investor education and the implementation of effective marketing strategies. Their research on the mutual fund market in India gives valuable insights that might be applied to the situation in Nepal, particularly in terms of policy measures and public awareness activities.

Mutual Funds and Financial inclusion

Mutual funds can promote financial inclusion by allowing small investors to participate in capital markets. Bista et al. (2021) stressed the relevance of mutual funds in diversifying investment portfolios and mitigating risks, describing them as a good choice for new investors. Nonetheless, their research found that in Nepal, mutual funds are underutilized due to socioeconomic and institutional barriers.

Research Gap

Although there is a lot of research on mutual funds in industrialized nations, there are few empirical studies on investor awareness and perceptions in Nepal. The majority of extant literature focuses on macro-level phenomena, such as capital market expansion or regulatory systems, rather than micro-level factors such as personal behavior and decision-making processes. This study aims to close this gap by looking into the complex factors that influence investor perceptions and actions in Nepal's mutual funds sector.

Theoretical Framework

The theoretical foundation for this research is built on numerous significant theories that explain investor behavior and mutual fund decision-making. The foundation is based on behavioral finance theory, which emphasizes the role of cognitive biases, emotions, and heuristics in investment decisions. In contrast to conventional finance, which assumes rational decisions, behavioral finance explains why many investors believe mutual funds are riskier than alternative investments, despite evidence to the contrary. Kahneman and Tversky's Prospect Theory (1979) supports this by demonstrating how people perceive gains and losses differently, leading to risk-averse or risk-seeking behaviors that influence mutual fund membership.

The Theory of Planned Behavior (Ajzen, 1991) is essential to this concept because it emphasizes the role of attitudes, subjective standards, and perceived behavioral control in affecting decision-making. In the context of mutual funds, attitudes refer to how investors perceive the safety, returns, and transparency of these financial vehicles. Subjective norms represent the influence of social networks, such as family, friends, and peers, on investing decisions, whereas perceived behavioral control stresses how attainable and manageable mutual fund investments are viewed by investors, as influenced by financial literacy and institutional support.

This approach also requires trust-based models. Confidence is essential in financial decisions, particularly in developing economies like Nepal, where reliance on financial institutions fluctuates. As Guiso et al. (2004) point out, trust has a significant impact on investment readiness. Mutual fund companies must develop and retain investor trust by ensuring transparency, adherence to rules, and regular communication, which determines adoption rates.

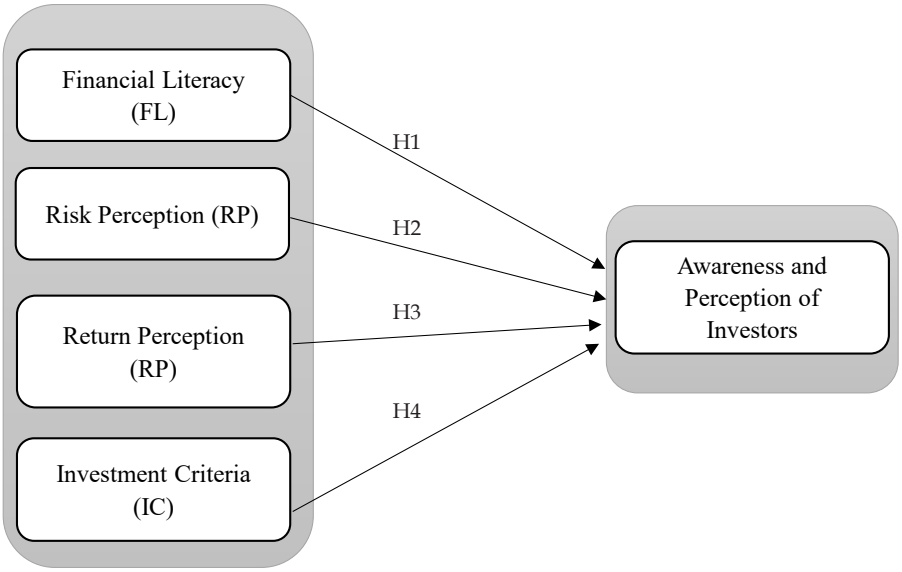

Figure 1: Conceptual Framework

3. RESEARCH METHODS

This study is based on a quantitative research approach, utilizing primary through a self-administered questionnaire, which is designed to measure the independent variables (financial literacy, risk perception, return perception, trust in financial institutions, and investment criteria) and the dependent variable (awareness and perception of investors). The questionnaire also includes demographic questions to categorize respondents based on age, gender, income, education level, and investment experience. The questionnaire was distributed using online platforms, including emails, and Facebook targeting both individual and institutional investors.

This research utilizes a descriptive and exploratory design. The descriptive element aims to evaluate investors' awareness and perception of mutual funds in Nepal, whereas the exploratory part examines the factors that affect the adoption of mutual funds. A mixed-methods strategy is employed, integrating quantitative information from surveys.

Population and Sample, and Sampling Design

The subjects for this research are individual and institutional investors in Nepal, especially in urban regions like Kathmandu, where financial offerings such as mutual funds are easier to

access. Statistical methods are used to establish the sample size, ensuring the results are both reliable and representative.

The sample size is determined using statistical methods to ensure that it is representative of the population. Considering the variability of awareness and adoption of mutual funds, a sample size of 115 respondents is targeted. This includes:

- Individual Investors: Approximately 79 respondents.
- Institutional Investors: Approximately 36 respondents.

A purposive sampling technique was used to select respondents who have either invested in mutual funds or have some level of financial knowledge. This method ensures that the collected data is relevant to the research objectives and reflects the perspectives of active or potential investors. The sample size is determined based on statistical considerations to ensure reliability and validity of the results

Sampling Frame
The sampling frame includes individuals and organizations meeting the following criteria:

Individual Investors:
- Individuals aged 18 years and above.
-Those who have invested or are interested in investing in mutual funds or other financial instruments.

Institutional Investors:
- Representatives from banks, insurance companies, asset management firms, and other institutional investors operating in Nepal.

Methods of Analysis
Quantitative data were analyzed using statistical tool as SPSS. Descriptive statistics, including mean, median, and standard deviation, were summarize the data. Inferential statistics, such as multiple regression analysis and correlation coefficient, were employed to examine relationships between variables. Additionally, ANOVA (Analysis of Variance) was performed to test the overall significance of the regression model and evaluate the explanatory power of the independent variables.

Model Specification
This study examines the awareness and perception of investor toward mutual funds, with four independent variables influencing the dependent variables.

$$Y= \alpha+ \beta1X1+ \beta2 X2 +\beta3X3+ \beta4X4+et \text{---------- (i)}$$

Where,
Y= Awareness and Perception of Investors

α= constant
β1= Coefficient of Financial Literacy
X1= Financial Literacy
β2= Coefficient of Risk Perception
X2 = Risk Perception
β3= Coefficient of Return Perception
X3= Return Perception
β4= Coefficient of Investment Criteria
X4= Investment Criteria
et = error terms.

Validity and Reliability of Survey Instruments

Cronbach's alpha is commonly used to assess the reliability of variables, as demonstrated by numerous scholars for eg. Bhattarai and Budhathoki (2023). Responses from survey questions based on a Likert scale (e.g., strongly agree to strongly disagree) were analyzed to measure investor attitudes toward factors. Helms, Henze, Sass and Mifsud, (2006), state that it can help to estimate the reliability of participants' responses to the measurements. As a rule, a coefficient greater than or equal to 0.5 is regarded as acceptable and a good sign of construct reliability (Nunnally, 1978).

Table 1

Variables Measurement (Source Saleem et al. (2021))

Variables	Description	Citation
Financial Literacy	Financial literacy is an independent variable (IV). It is measured by financial attitude, financial knowledge and financial behavior.	Gangwar and Singh, 2018
Risk Perception	Risk perception is an independent variable (IV). It measured the comparison of risk perception of investors about mutual funds along with other investment avenues	Kaur and Kaushik, 2016
Return Perception	Return perception is an IV. It also measured through the comparison of mutual funds investment perception along with other investment avenues concerning return perception.	Kaur and Kaushik, 2016
Investment Criteria	Investment criteria is an IV. It is measured by the comparison of investment criteria factors along with the investors concerning mutual fund investments.	Kaur and Kaushik, 2016

4. RESULTS AND DISCUSSION

Sample Characteristics Description

The study used a standardized questionnaire to collect information from both individual and institutional investors. The major goal was to gather diverse insights from investors of various levels of expertise and financial knowledge. The poll was circulated by email, social media, and direct contact with possible responders. The survey involved 115 investors, including 79 individual investors (68.7%) and 36 institutional investors (31.3%). This distribution ensures that both institutional and individual investors' opinions are represented fairly.

Table 2 shows the descriptive statistics of the respondents' demographic summary, which provides a comprehensive picture of their characteristics.

Table 2

Sample Characteristics

Title	Category	Frequency	Percentage
Gender	Male	53	46.1%
	Female	62	53.9%
Age	18-25	34	29.6%
	26-35	33	28.7%
	36-45	25	21.7%
	46-55	22	19.1%
	55 Above	1	0.9%
Education Level	High School	5	4.3%
	Bachelor's Level	74	64.3%
	Master's Level	36	31.3%
Employment Status	Employed	49	42.6%
	Self- Employed	66	57.4%
Investment Experience	Beginner	38	33%
	Moderate	60	52.2%
	Advanced	17	14.8%
Types of Investor	Individual Investor	79	68.7%
	Institutional Investor	36	31.3%

Note: Survey Data 2024.

The socioeconomic and demographic details of the 115 participants in the study are displayed in Table 2. The gender distribution of the sample is balanced, with slightly more women than men (53.9% vs. 46.1%). 58.3% of respondents are between the ages of 18 and 35 (29.6% are between the ages of 18 and 25 and 28.7% are between the ages of 26 and 35), while the remaining 41.7% are older (36–55+). With 95.6% of the population having at least a bachelor's degree (64.3% bachelor's and 31.3% master's), education levels are noticeably high. In terms of employment, self-employment is more common among participants (57.4%) than formal work (42.6%). The majority of investors (52.2%) have moderate experience, followed by novices (33%) and seasoned investors (14.8%). Individual investors make up the majority of the sample (68.7%) as opposed to institutional investors (31.3%). These attributes imply that the results might be particularly relevant to younger to middle-aged populations of educated, independent contractors with a moderate level of experience who are individual investors.

Descriptive Statistics

The primary features of the data, including the mean, standard deviation, and range, are summarized by descriptive statistics. They aid in comprehending the study's variables' overall distribution, central tendency, and variability.

Table 3

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	165	1.6	4.0	3.105	.5211
Risk Perception	165	1.6	4.0	2.813	.4994
Return Perception	165	1.8	4.0	3.059	.4939
Investment Criteria	165	1.6	4.0	3.099	.5190
Awareness and Perception of Investor	165	1.8	4.0	3.023	.4666

Note: SPSS output.

An overview of the replies from 165 participants about the main factors influencing investment decisions is given by the descriptive statistics. With a moderately variable mean score of 3.105 and a standard deviation of 0.5211, financial literacy demonstrated a typically above-average comprehension of financial concepts among respondents. With the lowest mean value of 2.813 (SD = 0.4994) for risk perception, investors may have not been aware of risk concerns or perceived comparatively less danger. A mean of 3.059 (SD = 0.4939) for return perception indicated moderate expectations of returns. With a mean of 3.099 and a standard deviation of 0.5190, the investment criterion suggested that respondents gave a moderate amount of thought to a number of aspects before choosing an investment. Lastly, the mean value of 3.023 and the lowest standard deviation of 0.4666 for investors' awareness and perception of investments indicate that their replies were generally consistent. Overall, the findings show a balanced pattern in investor behavior, with risk perception receiving the lowest score out of

all the variables evaluated and financial literacy and investment criteria being comparatively stronger categories.

Reliability Statistics

The internal consistency of the items used to evaluate a specific concept is measured by reliability statistics, which show how strongly a scale's items are positively associated with one another. Cronbach's Alpha is the most widely used metric; a value above 0.7 is typically regarded as good and denotes the reliability of the scale.

Table 4

Reliability Statistics

Cronbach's Alpha	N of Items
.700	5

Reliability statistics show how strongly a scale's items are positively associated with one another and quantify the internal consistency of the items used to evaluate a given construct. A number above 0.7 is typically regarded as acceptable, indicating that the scale is dependable, and Cronbach's Alpha is the most widely used metric.

The reliability statistics for the study's scale, as determined by Cronbach's Alpha, which evaluates the internal consistency of a collection of items, are shown in table 4. In this instance, an appropriate degree of reliability is indicated by the Cronbach's Alpha value of 0.700. In social science research, a value of 0.7 or above is typically regarded as the minimal criterion for satisfactory internal consistency (Nunnally, 1978). This implies that the scale's five items measure the underlying constructs consistently and with adequate correlation. The outcome suggests that the study's instrument is trustworthy and capable of producing insightful conclusions on investor behavior and associated variables.

Correlations

To determine the direction and strength of a linear relationship between two or more variables, correlation analysis is utilized. A strong positive link is indicated by values closer to +1, a strong negative association by values closer to -1, and no linear relationship is suggested by values near 0. The Pearson correlation coefficient (r) is a number between -1 and +1.

Table 5
Correlations

	Financial Literacy	Risk Perception	Return Perception	Investment Criteria	Awareness and Perception of Investor
Financial Literacy	1				
Risk Perception	.057	1			
Return Perception	.413**	.144	1		
Investment Criteria	.499**	.181*	.402**	1	
Awareness and Perception of Investor	.384**	.075	.537**	.497**	1

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

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

The Pearson correlation coefficients between the following factors are shown in Table 5: investment criteria, risk and return perceptions, financial literacy, and investor awareness and perception. The findings show a significant and positive correlation between financial literacy and investment criterion ($r = 0.499$, $p < 0.01$), return perception ($r = 0.413$, $p < 0.01$), and investor awareness and perception ($r = 0.384$, $p < 0.01$). This implies that better return expectations, more informed investment decisions, and increased investor awareness are all correlated with higher financial literacy.

On the other hand, risk perception exhibits negligible or no significant connections with any of the other variables, suggesting that it might be impacted by additional outside influences. More informed investors may have more conservative or realistic expectations about returns, as evidenced by the significant and positive relationship between return perception and investment criteria ($r = 0.402$, $p < 0.05$) and the negative correlation with investor awareness and perception ($r = -0.537$, $p < 0.01$). Furthermore, there are significant positive relationships between investment criteria and financial literacy as well as investor awareness and perception, underscoring the significance of knowledge and awareness in forming wise investment choices.

Model Summary of Variables

The degree to which the independent variables account for the variance in the dependent variable is summarized in the model summary. Important metrics that demonstrate the percentage of variance in the dependent variable that the model can account for include R (correlation coefficient), R2 (coefficient of determination), and Adjusted R2. A better model fit

is indicated by a higher R2 score. Standard error of the estimate shows the average distance between observed and predicted values, helping assess model accuracy.

Table 6

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.623[a]	.389	.373	.3694	.389	25.414	4	160	.000

Predictors: (Constant), Investment Criteria, Risk Perception, Return Perception, Financial Literacy

Table 6 presents a summary of a regression model that looks at how the dependent variable is explained by four variables: financial literacy, risk perception, return perception, and investment criteria. With the predictors explaining 38.9% of the variation (R Square = 0.389), the model demonstrates a reasonably significant association (R = 0.623). According to the corrected R Square (0.373), several predictors could not have a significant influence. The model is statistically significant, indicating that the predictors collectively affect the result, according to the F-test (F = 25.414, p <.001). Other factors might be at work, though, as 61.1% of the variance cannot be explained. The forecast accuracy is moderate, as indicated by the standard error (0.3694). Although the model is useful overall, it might be enhanced by adding more variables.

Analysis of Variance (ANOVA)

ANOVA determines if the regression model as a whole is statistically significant. An important amount of the variation in the dependent variable may be explained by the independent variables taken together, according to a significant F-value ($p < 0.05$).

Table 7

ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.875	4	3.469	25.414	.000b
	Residual	21.838	160	.136		
	Total	35.712	164			

a. Dependent Variable: Awareness and Perception of Investor

b. Predictors: (Constant), Investment Criteria, Risk Perception, Return Perception, Financial Literacy

The overall significance of the regression model's ability to predict investor awareness and perception is assessed in this ANOVA table. The combination of the predictors Investment

Criteria, Risk Perception, Return Perception, and Financial Literacy has a statistically significant impact on the dependent variable, as confirmed by the strong F-statistic (25.414) and incredibly low p-value (.000). About 39% of the variance is explained by the model (Regression SS = 13.875 out of Total SS = 35.712), with the remaining 61% being unexplained, indicating that investor awareness may be influenced by other factors. The findings confirm that all four of these factors together significantly influence the result.

Coefficients

Each independent variable's effect on the dependent variable is displayed by the coefficients. The p-value indicates whether the effect is statistically significant, and a positive or negative number indicates the direction of the association.

Table 8

Regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.943	.257		3.662	.000
	Financial Literacy	.062	.066	.069	.934	.352
	Risk Perception	-.040	.059	-.042	-.671	.503
	Return Perception	.367	.066	.389	5.525	.000
	Investment Criteria	.282	.067	.314	4.214	.000

a. Dependent Variable: Awareness and Perception of Investor

This table of coefficients offers comprehensive information on the contributions of each predictor variable to the dependent variable, "Awareness and Perception of Investor." When all predictors are zero, the constant term (0.943) represents the initial level of investor knowledge. The two predictors with the highest positive and statistically significant effects are Return Perception (B = 0.367, p <.001) and Investment Criteria (B = 0.282, p <.001). This suggests that investor awareness is increased by larger expectations of returns and more precise investment criteria. However, while their p-values are more than 0.05, Financial Literacy (B = 0.062, p = 0.352) and Risk Perception (B = -0.040, p = 0.503) do not exhibit statistically significant effects.

Although negligible, the negative coefficient for risk perception suggests a possible inverse link in which greater risk knowledge could somewhat lower investor confidence; nonetheless, this effect is not strong in our model. Their dependable positive influence is shown by the 95% CIs for relevant predictors (e.g., Return Perception: 0.236 to 0.499). Overall, the findings show that while financial literacy and risk perception are not significant factors in this research, return expectations and investment criteria are important factors that influence investor awareness.

5. CONCLUSION AND IMPLICATIONS

By examining the effects of four primary variables financial literacy, risk perception, return perception, and investment criteria this study sought to ascertain investors' awareness and perception of mutual fund investments in Nepal. The empirical findings show that investor awareness and perception are strongly and favorably influenced by return perception and investment criteria. According to these results, investors are more likely to know about and use mutual funds when they believe they provide good returns and when there are well-defined, organized investment criteria in place.

On the other hand, neither risk perception nor financial literacy demonstrated a statistically significant impact in the regression model, suggesting that knowledge by itself does not always motivate mutual fund participation and that risk awareness does not significantly discourage or increase engagement. This conclusion emphasizes that when it comes to actual investment behavior in the Nepalese environment, practical results and decision-making simplicity have a greater influence than theoretical financial knowledge.

According to the survey, the two most important aspects affecting investor awareness and perception of mutual funds in Nepal are return perception and investing criteria. Expected profits and transparent investment procedures are what drive investors, which supports findings by Saleem et al. (2021) and Kaur and Kaushik (2016). When making financial decisions, these pragmatic considerations seem to take precedence over theoretical understanding. It's interesting to note that financial literacy, which is frequently emphasized in international research (Lusardi & Mitchell, 2014; Bhushan & Medury, 2014), had no discernible impact in this situation. This can be because Nepal's mutual fund sector is still in its infancy, and trust problems and a lack of specialized financial education lessen the value of financial literacy.

Similar to this, risk perception had no discernible impact, presumably as a result of misunderstandings or a lack of knowledge on the dangers associated with mutual funds. This is consistent with the findings of Joshi and Shrestha (2019), who discovered that a large number of Nepalese investors favor traditional investments because they are worried about fund performance and transparency. The results also support Rogers' (2003) theory of innovation diffusion, according to which mutual funds in Nepal are still in the early stages of adoption. Institutional distrust, limited transparency, and poor communication all work against wider acceptance. Clear return communication, streamlined investment procedures, and trust-building programs are crucial for market expansion. Stakeholders need to change their emphasis from raising awareness to developing engagement tactics that are specific to Nepalese investors.

The study's conclusions have a number of significant ramifications for lawmakers, financial organizations, regulatory agencies, and educators who want to encourage mutual fund investing in Nepal. Firstly, from a regulatory standpoint, organizations such as the Securities Board of Nepal (SEBON) need to go beyond conventional, universal financial literacy initiatives and implement focused educational efforts that eloquently describe the useful

benefits of mutual funds. Benefits including risk diversification, expert fund management, liquidity, and long-term return potential should be the main emphasis of these ads. In order to guarantee that all asset management firms offer consistent and intelligible information on fund performance, related risks, and management fees, authorities must also enact stricter disclosure laws and transparency guidelines. Investors will be able to compare funds more readily and make wise judgments as a result. Enhancing investor protection measures is also necessary to allay concerns about previous cases of poor management or oversight. From a managerial standpoint, financial advisors and mutual fund providers should place a high priority on making communication easier and steering clear of technical language that could be confusing to inexperienced investors. The everyday financial objectives of the Nepalese people, such retirement, emergency medical funds, or children's education, should be the focus of marketing instead. Interactive features like return simulations and investment planning calculators, which increase investor confidence and transparency, can also be used to educate investors through digital platforms and mobile-based financial tools. This study emphasizes the need for researchers and educators to move away from knowledge-based, solely cognitive models of investment and toward behaviorally informed strategies that take perceived advantages, social norms, and trust into consideration. To help Students Bridge the gap between theoretical finance and real-world investing behavior, universities, colleges, and training facilities should include role-playing, investment games, and real-life financial decision-making exercises in their curricula. This combination strategy has the potential to boost investor confidence and promote more inclusive mutual fund industry involvement in Nepal.

Although it offers insightful information about Nepalese mutual fund investment behavior, it has a number of limitations that should be noted and can guide future studies. Purposive sampling, which focuses on urban, educated, and independent workers, increases selection bias and restricts generalizability; it especially leaves out lower-income or rural communities. Although statistically feasible, the comparatively small sample size of 115 respondents limits segmentation and does not accurately represent the range of investor behavior.

Furthermore, the limited scope of variables primarily financial literacy, risk and return perception, and investment criteria explains only 38.9% of the variance in investor awareness, excluding significant influences like trust, digital access, peer influence, and cultural factors. Additionally, the reliance on self-reported data raises concerns about social desirability bias. Moreover, the cross-sectional architecture makes it impossible to comprehend how things develop over time. To increase inclusion, future studies should focus on marginalized or rural populations, use longitudinal designs, and take into account broader behavioral finance characteristics. Understanding and impact could be increased by investigating financial tools and digital platforms as well as experimental interventions like workshops or simulations. By dividing investors into groups based on their goals, income, education, and demography, financial strategies could be more effectively and inclusively developed in Nepal.

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