

Impact assessment of investment motivation toward mutual funds

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Abstract

Purpose - The purpose of this study is to assess the impact of investment motivation on mutual fund investment decisions by Nepalese investors. The research seeks to identify the key drivers that influence Nepalese investors' decisions in this context.

Design/methodology/approach - The research design employed in this study was a descriptive and causal comparative research. The primary data was gathered from individual investors who were actively involved in trading on the Nepal Stock Exchange (NEPSE). To assess respondents' perceptions and factors influencing investment alternatives, a structured questionnaire survey was used. The sample size consisted of 384 participants, and they were selected through judgmental sampling technique.

Findings and Conclusion - The research findings revealed that while there was a growing interest in mutual fund investments among Nepalese investors, there was a lack of awareness and understanding about these investment vehicles. The paper found that investor awareness level, fund manager qualities, risk perceptions, and fund performance positively affected mutual fund investment decisions in Nepal. These factors played an important role in determining investors' preferences and choices. The regression model demonstrated a good fit for the data, explaining 55.8% of the variation in investment decisions. The study also emphasized the significance of effective selection and monitoring processes for mutual fund schemes, including evaluating fund managers' performance and assessing the risk-return profile of different options.

Implications - The findings implied the need for transparent reporting practices, access to reliable performance data, and investor-friendly policies. Policymakers should streamline regulations and create a favorable environment for mutual fund investments. These implications can contribute to the overall development of the capital market in Nepal by attracting more investors and fostering investor confidence in mutual fund schemes.

Keywords: Investment motivation, mutual funds, capital market, Nepalese investors

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1. Introduction

Investors in the field of investment often base their decisions on their own understanding whether it is rational or irrational. The traditional finance perspective undertakes that stockholders are sensible and make prudent investment decisions aimed at maximizing profit, even in uncertain situations (Kumar & Goyal, 2015; Suresh, 2022). According to the efficient market hypothesis, the capital market is always well-organized, meaning that prices replicate all available information (Fama, 1970). In contrast, behavioral finance challenges the idea of rational investment decisions and focuses on the behavioral aspects of illogical decision-making among individual investors (Semenov, 2009). Behavioral biases have a direct impact on investors' investment decisions as individuals may struggle to accurately predict market movements, leading to biased decision-making (Stanovich & West, 2008). Individual investors make their investment decisions based on their perceptions of factors that influence their investment decisions.

In terms of their financial well-being, individual investors exhibit behaviors that have negative consequences. They tend to prefer well-diversified or professionally managed investment options when it comes to their portfolio allocation (Barber & Odean, 2016). Rather than trading individual stocks, investors choose to capitalize mutual funds to minimize investment risk (Islam, 2021). The influence of individual biases in decision-making is also evident in mutual fund investments. Behavioral finance is a relatively new discipline that explores the psychological aspects of investor behavior and its impact on decision-making.

Mutual fund investment has gained significant importance in recent years (Bollen, 2007; Jiang et al., 2020). As the trend towards mutual fund investment continues to grow rapidly, it becomes crucial for investors to have access to reliable and updated information to make informed decisions (Sharma, 2013). When considering investment alternatives, investors need to assess both the risks and potential returns associated with each option. This requires a certain level of financial expertise to understand and evaluate the risks and rewards involved (Assefa & Rao, 2018). Mutual funds address this need by being managed by experienced financial leaders who oversee the allocation of the fund's assets and strive to generate capital growth or income through well-diversified investments. These financial leaders play a vital role in guiding investors towards suitable investment choices (Assefa & Rao, 2018). Therefore, mutual fund investments offer individuals the opportunity to benefit from professional management and expertise, making them an attractive investment option in today's market.

Nepalese investors have traditionally favored safe investment options such as fixed deposits, insurance, and stocks, prioritizing the security of their investments (Bajracharya, 2016; Dangol & Shakya, 2017). However, there has been a noticeable shift in recent times, with an increasing interest among Nepalese investors in non-traditional avenues including life insurance, bonds, shares, and mutual funds (Shrestha & Shrestha, 2020; Chaudhary et al., 2021). The mutual funds have contributed significantly to the economy and can be a beneficial investment solution for small households to enhance their financial capabilities through effective selection and timing strategies, resulting in accelerated economic growth in Nepal (Upadhyaya, 2019). Therefore, the mutual fund industry in Nepal has experienced substantial growth, with 38 companies currently operating mutual funds, predominantly in the form of close-end funds, alongside three open-end

funds (Nepse alpha, 2023). Despite the familiarity of mutual funds among investors, there is a recognized need to raise awareness and knowledge dissemination, as highlighted by Suresh (2022).

Mutual funds in Nepal have garnered substantial attention and adoption owing to their capacity for diversification and the employment of professional management strategies. Investors now have a broader range of choices available to diversify their portfolios, including stocks, bonds, debentures, fixed deposits, insurance, and mutual funds. Mutual fund schemes are well-managed investments, with qualified fund managers and risk analysts, contributing to the surge in mutual fund investments among Nepalese investors (Chaudhary et al., 2021; Shrestha & Shrestha, 2020; Kandel, 2019). The behavior of mutual fund managers plays a crucial role in fund performance. Prior research suggests that fund managers often allocate a significant portion of new fund money to previously well-performing stocks, aiming to replicate past success (Wermers, 2003). According to Nepal's Mutual Fund Directives 2067, mutual fund managers invest raised funds in various securities such as shares, bonds, government securities, and fixed deposits. Returns or profits from these investments are distributed proportionally among the unitholders, who are investors that purchase shares or units of the mutual fund. By investigating the attitudes, awareness, and preferences of mutual fund investors, the aim of the study is to gain insights into the elements affecting shareholders' fund selection and their preferences for different investment avenues. These insights will contribute to a better understanding of investor behavior and enable recommendations to enhance the effectiveness of mutual fund investments in Nepal.

2. Literature Review and Hypothesis Development

Individual motivation towards investment identifies the characteristics of the individual selection of the stock in the market. Individual biases in their decision seem to be considered at mutual fund investment. Making an investment in a mutual fund becomes a great way for investors to gain the ability to access a diverse portfolio of stocks, bonds, and other financial instruments, as these professionally managed portfolios pool together money from a variety of participants and make it available to the economy (Jiang et al., 2020; Saleem et al., 2021). Reilly and Brown (2003) stated that a mutual fund is a professional entity that pools resources from clients who purchase their offers to invest in a protection arrangement with a fund manager selecting which assets to buy and sell. An investor can enter into a well-managed portfolio of shares, bonds, and other assets through mutual funds. These funds are maintained and managed to achieve specific investment goals outlined in their plan. Investors in mutual funds collectively experience gains and losses in proportion to their investment. Mutual funds typically assess their performance by calculating changes in the overall market value of the fund, based on the combined performance of the underlying investments. These funds invest in various types of securities, and their performance is usually evaluated based on this change in value. While making the investment decision, the investor must consider some of the factors including financial goals, time horizon, risk profile, emotional factors, life changes, and external factors (Kannadhasan, 2015; Saivasan & Lokhande, 2022). The Mutual funds industry is experiencing substantial development driven by the increasing number of investors who may lack the necessary expertise to fully comprehend and analyze this complex investment area. The investment decisions made by investors are

influenced by various factors, including their awareness level, the qualities of fund managers, their risk perceptions as investors, and the performance of the mutual funds they consider.

2.1 Investors Awareness Level

The investment decision-making process involves the consideration of various factors by investors, including financial goals, time horizon, risk profile, emotional factors, life changes, and external factors (Gallery et al., 2010; Hilgert et al., 2013). Personal factors such as age, income, and risk tolerance play a crucial role in determining the appropriate type of investment for an individual (Chaudhary et al., 2022). Previous research by Sharma (2013) examined the impact of knowledge about investment patterns on individual investment decisions and found that awareness levels significantly influenced investors' inclination towards mutual funds. However, the educational level of investors did not have an impact on their attitude towards mutual funds, as supported by previous studies (Parihar, 2009; Subramanya & Murthy, 2013). Emotional factors such as panic, excitement, or anxiety can influence investment decisions, highlighting the importance of adhering to an investment plan and avoiding undue influence from external factors, such as awareness levels and information sources. Additionally, external factors like inflation, economic cycles, and geopolitical risks should be taken into account when making investment decisions. For shorter time horizons, lower-risk products are recommended, while long-term goals may involve considering higher-risk options like stocks, shares, and equity mutual funds (Kannadhasan, 2015; Saivasan & Lokhande, 2022). Investors usually consider the factors while selecting mutual funds, such as awareness of Systematic Investment Plans (SIP), information sources, and decision-making influencers. The study focused on examining awareness of mutual fund investment opportunities, specifically SIP, and comparing it with demographic factors such as age, marital status, profession, and gross annual income. Results showed that age and profession/occupation influenced investors' preferences towards fund reputation, brand name, and minimum initial investment in mutual funds, with occupation playing a more significant role than age, supported by Shah and Baser (2012). Singh (2012) argued that a majority of respondents lacked sufficient knowledge about the functioning of mutual funds. Furthermore, demographic factors such as gender, income, and education significantly influenced investors' preferences towards mutual funds. Investors were attracted to the potential for returns and liquidity offered by mutual funds, valuing their flexibility, transparency, and affordability. Based on these prepositions, the following hypothesis is proposed:

H₁: Investors' awareness level has a significant positive influence on individual investment decisions regarding mutual fund investments.

2.2 Fund Managers' Qualities

The investors took into account the association with the fund manager and the fund sponsor's reputation when making their investment decisions. The attributes, knowledge, creditworthiness, and reputation of a fund management have a big impact on the choice of the fund. Individual investors frequently sought out professional assistance and relied on credit ratings to make sound fund scheme selections (Nihar & Bhamidipati, 2012; Arathy et al., 2015). Apart from the expert services provided by mutual funds, investors also consider other aspects of fund managers such as cost-effectiveness, the expertise of the fund manager, and the safety of the funds. Therefore,

various characteristics of fund managers that impact the choice of mutual fund warrant further investigation. Factors such as the fund manager's reputation, proficiency in managing mutual funds, and past performance can affect the investor's investment selection. Additionally, the fund manager's external credit rating is also an important aspect to consider. The return from investment while making an investment decision plays a crucial role of investment decision (Virlics, 2013). Investor perceptions of mutual fund performance often diverge from the actual outcomes, even though mutual funds typically do not consistently yield higher returns than the overall market. Investors commonly anticipate greater returns with reduced investment risks when entrusting their funds to professional fund managers, contradicting the established principle of the risk-return trade-off. Nevertheless, certain selective mutual funds have demonstrated the ability to outperform the market, albeit it is impractical to anticipate mutual funds consistently delivering heightened returns while simultaneously mitigating risk. These expectations signify investors' aspirations to obtain additional returns or benefits in exchange for entrusting their funds to the fund manager for investment management. Additionally, investors attach importance to risk reduction achieved through diversification. Thus, it supports to define the following hypothesis.

H₂: Fund managers' qualities have a significant positive influence on individual investment decisions regarding mutual fund investments.

2.3 Investors' Risk Perceptions

The effect of risk on investment choices is pivotal as it serves as a decisive factor in shaping the potential returns that an investor may attain (Yang & Qiu, 2005). Psychologists are keen on devising techniques for assessing risk perception, given its pivotal role in the decision-making process. Managing investors' risk perception can be achieved through heightened awareness of the various facets of risk and the factors that impact their individual levels of risk perception (Singh & Bhowal, 2009). Investors' risk perceptions can also be substantially shaped by their demographic characteristics. Maiya (2014) uncovered that investors' age significantly impacts their risk perceptions in the context of investment decisions. Additionally, factors like investors' income and various socio-economic variables have been demonstrated to exert influence on investment choices (Mathur, 2015; Chaudhary et al., 2022). The management of risk perception is of utmost importance, and policymakers should take proactive steps to regulate it during the implementation of various policies (Singh & Bhowal, 2009). This objective can only be realized if individuals possess an awareness of their own level of risk perception. A great number of researches have been done to gauge risk perception, including the development of a tool by MacCrimmon and Wehrung (1990) for assessing the risk tendency of top executives in 509 global companies. In times of crisis, investor perceptions experience notable shifts, with risk tolerance and risk perceptions displaying relatively lower fluctuations compared to return expectations (Hoffmann, Post, & Pennings, 2013). The choice to transfer funds within a fund family is influenced by the investor's stance on risk (Lenard et al., 2003). The current body of literature unequivocally underscores the substantial influence of investors' risk perception on their investment conduct, notably in the context of mutual funds. Sitkin and Pablo (1995) provided a conceptual framework for understanding the factors that underlie unsafe conduct whereas Sitkin and Weingart (1995) shed light on the factors of harmful decision-making behavior and the

pivotal role played by risk perceptions. Investors with a heightened perception of risk tend to either avoid investing in mutual funds altogether or invest in them with lower volumes. When individuals perceive an increased level of risk, they take actions to mitigate it in their investment decisions (Deb & Singh, 2016). Studies have also been conducted to design appropriate risk measurement tools and establish the relationship between risks and returns (Powers, 2009). It has been identify with the following hypothesis:

H₃: Investors' risk perceptions have a significant positive influence on individual investment decisions regarding mutual fund investments.

2.4 Fund Performance

Investors are driven by their desire for favorable returns on their investment decisions (Chen et al., 2009). Srividya (2009) and Mathur (2015) further emphasize the importance of return perception and prior performance of investment avenues in influencing investment decisions. Mutual funds often attract investors seeking a balance between high gains, low risk, and liquidity (Rathnamani, 2013). However, Chen et al. (2009) conducted a study that yielded limited evidence in support of the idea that most funds elevate their standard deviations of returns as their relative performance declines. Nevertheless, the study did validate the theory's forecast that underperforming funds tend to escalate their standard deviations of tracking errors, which carries implications for mutual fund trading. Moreover, safety and a consistent income stream hold substantial importance, particularly among female investors. Additionally, regardless of age, income, occupation, or marital status, salaried investors tend to prefer long-term, secure, and profitable investment options. In addition, Shrestha and Shrestha (2020) identified mutual fund performance, management qualities, and investors' own performance as significant factors influencing mutual fund investment decisions. Building upon the aforementioned literature, the following hypothesis has been formulated:

H₄: Fund performance has a significant positive influence on individual investment decisions regarding mutual fund investments.

3. Research Methods

This study used a descriptive and a causal-comparative research design. The descriptive research design was used to characterize investors and elucidate their preferences concerning mutual fund schemes. To ascertain the relationships between variables and identify the factors affecting investors' decisions regarding mutual fund investments, a causal comparative research design was employed. The main purpose of the research was to assess the motivations of Nepalese investors in their decision-making process regarding mutual fund investments. To achieve this goal, the primary data were collected from the investors who were actively traded on the Nepal Stock Exchange. Data were gathered through a structured-questionnaire designed to gauge respondents' perceptions and the factors influencing their choices among the various investment alternatives available in the Nepalese stock market. The study's population comprised active investors within the Nepal Stock Exchange (NEPSE). The list of active investors was obtained from the various groups of traders as well as physical visit to different broker office in Putalisadak and Anamnagar area of the Kathmandu Valley. For this research work 500 investors were taken

as a sample respondent, and judgmental sampling technique was used. To know about perceptions of respondents towards mutual fund schemes, structure questionnaire were provided through the brokerage firms and sent through the google questionnaire. However, only 400 investors responded the questionnaire. Some of the questions were in the incomplete form and found errors while respondents response the questions, and thus only 384 respondents were correctly answered the questions. To achieve the research objective, descriptive and casual comparative research design was used and statistical tools such as descriptive statistics techniques, correlations and regression analysis were applied for the data analysis.

Based on the research model and preceding literature, this particular study investigated the investors' motives and preferences that influenced the investment decision of mutual fund in Nepalese capital market. Furthermore, the study used the model developed by Capon et al. (1996); Chen et al. (2009); Shrestha and Shrestha (2020); Saleem et al. (2021).

Investment in Mutual fund is the function of Investors Motives and Preferences

$$ID = F (M \text{ and } P)$$

The extension of the above function is like this:

$$ID_i = \beta_0 + \delta_1 * MP_i + \dots \beta_k * X_i + \varepsilon_i$$

$$ID_i = \beta_0 + \delta_1 * IAL + \delta_2 * FMQ + \delta_3 * RP + \delta_4 * FP + \dots \beta_k * X_i + \varepsilon_i$$

Where ID is investment decision in mutual fund MP_i represents investors' motives and preferences, i.e. X_i represents control variables and ε_i represents error term. There are five investment motives and preferences i.e. (X_1) investors awareness level, (X_2) fund manager qualities, (X_3) investors risk perceptions, (X_4) fund performance associated with investing in the mutual fund therefore taking all factors at a time we get,

$$ID_i = \beta_0 + \delta_1 * X_1 + \delta_2 * X_2 + \delta_3 * X_3 + \delta_4 * X_4 + \dots \beta_k * X_i + \varepsilon_i \dots \dots \dots (i)$$

4. Results and Analysis

4.1 Socio-Economic Profile

The survey requested participants to furnish their socio-economic information, including age, gender, education, income, annual savings, and occupation. Table 1 presents a comprehensive overview of the socio-economic characteristics of investors who made investment in the capital market of Nepal.

Table 1 revealed that the percent of male respondents was 71 and female respondents were 29 percent who participated under the mutual fund systems. Out of the total respondents 52 percent (the highest) were from the age group of 30 to 45 years who actively traded in the stock market followed by 22 percent who were less than 30 years of old. Due to uncertain income level and risk positions, retired people who were more than 60 years of old were not active in Nepalese stock investment. More than 38 percent of the respondents were jobholders, 31 percent were self-employed followed by 18 percent who were business people.

The respondents were asked whether they were from economically sound background and were of educated people in stock market in Nepal. Table 1 revealed that educational qualifications directly affected investment decisions, and the greater percentage (more than 38

percent) of the respondents had the highest academic qualifications. The highest percentage (40 percent) of the investors were from the middle income level group (i.e. less than 0.5 million rupees), and 35 percent from 0.5 to 0.8 million rupees. They wanted to generate more money so that they actively traded in stock market whereas only 25 percent of the respondents traded who still earned more than 0.8 million annually. Most of the investors (60.68%) were able to save between 20% and 30% of their total earnings followed by 22.65 percent of the respondents who were able to save less than 20%. However, very least percentage (2.86 percent) of the respondents saved more than 50 percent of their annual total earnings.

Table 1. Socio-Demographic Variables

Variables	Frequency	Percentage
Age		
Less than 30 years	85	22.13%
30-45 years	196	51.04%
45-60 years	77	20.05%
Greater than 60 years.	26	6.78%
Gender		
Male	273	71.00%
Female	111	29.00%
Education Level:		
Informal education	45	11.72%
High school	70	18.23%
Undergraduate	120	31.25%
Graduate and above	149	38.80%
Occupations		
Job Holder	149	38.80%
Self Employed	119	31.00%
Business	70	18.23%
Others (Retired)	46	11.97%
Annual Income		
Less than 5,00,000	153	39.84%
5,00,001 to 8,00,000	134	34.89%
Greater than 8,00,000	97	25.26%
Annual Saving		
Less than 20 %	87	22.65%
20 % to 30%	233	60.68%
30% to 50%	53	13.80%
More than 50%	11	2.86%

(Source: Survey, 2023)

Table 2 revealed that among the 384 respondents, the majority of investors (45.31%) had a partial awareness about mutual funds in Nepal. Following that, 28.37% of investors who were risk-takers had awareness about mutual fund schemes, while 26.31% of risk-takers were not aware of these schemes. Additionally, 16.667% of the investors had a neutral stance on risk. Out of this neutral

group, 46.875% had partial awareness, 31.25% were unaware, and 21.87% were fully aware of mutual fund schemes.

The table 2 also revealed that 27.35% of investors were risk-averse, out of which 54.28% had partial awareness, 24.76% were aware, and 20.96% were unaware of mutual fund schemes.

Table 2. Cross Tabulations Between Type of Investors and Level of awareness

Type of Investors	Awareness Level	Aware	Partially aware	Unaware	Total
Risk Taker	Count	61	98	56	215
	% with Type of Investor	28.372	45.31	26.31	55.98
Neutral	Count	14	30	20	64
	% with Type of Investor	21.875	46.875	31.250	16.667
Risk Averse	Count	26	57	22	105
	% with Type of Investor	24.76	54.28	20.96	27.35
Total	Count	101	185	98	384
	% with Type of Investor	26.30	48.177	25.52	100%

Chi Square Value: 3.822

P Value: 0.431

From the above information, it can be inferred that the level of awareness is crucial in mutual fund investment. Investors who have partial or full awareness about mutual funds are more likely to invest in them, while those who are unaware or have limited awareness may be less inclined to invest. The data suggests that increasing awareness among investors about mutual fund schemes could potentially attract more participants and encourage greater investment in the Nepalese capital market.

Table 3. Investors' Information source

Particulars	Mean	Standard Deviations
Newspaper/Magazines	4.32	0.76
Televisions	3.23	0.52
Website and Email	4.09	0.59
Brokers and Agents	3.50	0.85
Friends and relatives	4.35	0.92
Self-decisions	4.00	0.73

Source: Survey (2023)

Table 3 reveals about the respondents' information source while making an investment decision. It indicates that vital source of information for investment is networks and relatives followed by newspaper/magazine and self-decisions, and the least source of information is Televisions.

Table 4. Reliability Test

Construct	Number of Items	Cronbach's Alpha
Investors Awareness Level	9	0.721
Fund Manager Qualities	7	0.765
Risk Perceptions	9	0.716
Fund Performance	9	0.801

Source: Survey (2023)

Cronbach's alpha was utilized to assess the reliability of the measurements in this study. Cronbach's alpha is a widely used test of internal consistency or reliability and is particularly common in surveys or questionnaires that consist of multiple Likert-type questions forming a scale. It determines the accuracy of the scale by examining the extent of variation in ratings across different factors that can be attributed to random or casual errors. The reliability statistics presented in Table 2 indicate that the Cronbach's alpha values for all variables exceed 0.70, which is the recommended threshold (Nunally, 1978). This suggests that all the divisions or subscales of the measurement instrument in this study demonstrate satisfactory reliability.

Table 5. Correlation of Factors Influencing Investment in Mutual Fund Schemes

Correlation Matrix	IAL	FMQ	RP	FP	ID
IAL	1				
FMQ	.247*	1			
	.003				
RP	.160*	.169**	1		
	.0014	.000			
FP	.040	.140*	.459**	1	
	.0570	.031	.000		
ID	.126*	.297**	.191*	0.357**	1
	.002	.000	.021	0.000	

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

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

Table 5 shows the correlation matrix of investors' motives and factors that motivate the investment in mutual fund schemes. The variables included in the analysis are investor awareness level (IAL), fund manager qualities (FMQ), risk perceptions (RP), Fund Performance (FP), and investment decision (ID).

The Table 5 offers valuable insights into the interrelationships among various factors that impact investment decisions in mutual fund schemes. These findings are beneficial for comprehending investors' decision-making processes and formulating effective investment strategies. The investment decisions exhibit significant correlations with factors such as investment awareness level, fund manager qualities, risk perceptions, and fund performance, with statistical significance observed at both the 1 percent and 5 percent levels. The table highlights that fund manager quality and investors' awareness level exert the most considerable effect on investment decisions, while risk perceptions and fund performance also exhibit relationships with such decisions. All four independent factors demonstrate positive correlations with investors' investment decisions, indicating the existence of a strong association between the independent variables and the dependent variable.

Table 6. Regression Analysis

Model	B	T-Value	P-Value
(Constant)	0.701	5.413	0.000
Investors Awareness Level	0.031	1.04	0.013
Fund Manager qualities	0.293	3.241	0.000
Risk Perceptions	0.166	3.777	0.020
Fund Performance	0.456	3.898	0.000
R-Squared	0.558		
Adjusted R-Square	0.523		
Durbin-Watson Statistics	2.063		
F – Value	104.19		
P- Value	0.000		

(Significance at 5%)

Table 6 shows the results of a regression analysis that examines the relationship between the dependent variable, mutual fund investment decision, and the independent variables included in the analysis are investors' awareness level, fund manager qualities, risk perceptions and fund performance. The regression model has a statistically significant, F-value of 104.19, which indicates that the model as a whole is a good fit for the data. The R-squared value of 0.558 indicates that the independent variables explain 55.8% of the variation in mutual fund investment decisions. The adjusted R-squared value of 0.523 suggests that the model fits the data well, even when accounting for the number of independent variables.

The coefficient for each independent variable represents the effect of that variable on mutual fund investment decisions, while holding all other variables constant. All of the independent variables have positive coefficients, suggesting that they are associated with higher levels of mutual fund investment decisions. The p-values for each independent variable indicate whether that variable is statistically significant in predicting mutual fund investment decisions. In this analysis, all of the independent variables are statistically significant at the 5% level. The Durbin-Watson statistic of 2.063 suggests that there is no significant autocorrelation in the residuals, which is a desirable feature of a regression model. Overall, this regression analysis provides insights into the factors that influence mutual fund investment decisions and can be useful for developing investment strategies.

5. Discussion and Conclusion

The process of making an investment decision is a complex task for investors, which involves the various factors to be considered. This study aimed to determine the impact of investor awareness level, fund manager qualities, risk perceptions, and fund performance on mutual fund investment decisions in Nepal. The findings of the study contribute to the existing literature and align with prior empirical evidence. The findings of the study are consistent with the previous research conducted by Kaur and Kaushik (2016); Shrestha and Shrestha (2020); Saleem et al. (2021). These factors influenced the choice of investment type and were consistent with the literatures' understanding of individual investment behavior. However, the investors' personal

factors such as age, income, and risk tolerance were also identified as crucial determinants of investment decisions (Chaudhary et al., 2022).

The study highlights the importance of investors' knowledge and awareness level. Although the most respondents had limited knowledge about mutual fund schemes, they expressed interest in investment decisions. This finding provides the impression that the knowledge has a significant role in influencing mutual fund investment decisions and fund performance (Saleem et al., 2021). The regression analysis revealed that all independent variables had a positive effect on mutual fund investment decisions. This aligns with the findings of Kaur and Kaushik (2016), who observed a positive relationship between investors' behavior and their investment decisions. Furthermore, Shrestha and Shrestha (2020) emphasized the significance of fund management attributes, including the knowledge, creditworthiness, and reputation of fund managers. Similar to the findings of Arathy et al. (2015), efficient management and the goodwill of the fund manager continued to be a priority for the investors.

This study sheds light on the influence of some factors on mutual fund investment decisions in Nepal. The findings underscore the importance of investor awareness level, fund manager quality, fund performance and risk tolerance in determining investment preferences. Furthermore, the study emphasizes the significance of investor knowledge and awareness level in influencing investment decisions and fund performance. The positive relationship between investors' behavior and investors' investment decisions existed. The results of this study provide valuable insights for investors, financial institutions, and policymakers, highlighting the factors that influence mutual fund investment decisions in the Nepalese context. Further, research could delve deeper into specific investor segments and explore additional factors that influence investment decisions to enhance our understanding of investment behavior in Nepal's mutual fund market.

6. Implications

This study has important implications for practitioners and policymakers in Nepalese mutual fund market. To address the relatively low awareness and understanding of mutual funds among investors, it is crucial to prioritize investor education and awareness initiatives. This can be achieved through comprehensive financial literacy programs and workshops that empower investors to make informed investment decisions. Additionally, considering socioeconomic factors such as education, income, and savings levels, it is essential to design investment strategies that cater to a diverse range of investors. Policymakers and industry stakeholders should also emphasize the importance of effective selection and monitoring processes for mutual fund schemes, providing investors with transparent information and tools to evaluate fund performance. By implementing these measures, practitioners and policymakers can promote the growth of the mutual fund industry in Nepal and enhance investor confidence in participating in these investment vehicles.

Conflict of Interest

Authors declared no conflict of interest while preparing this article.

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