Mutual Fund and Investors Attraction: An Empirical Evidence of Nepal

Manoj Kumar Chaudhary[1], Ajay Prasad Dhakal[2], Madhav Adhikari[3]

[1]*Ph.D,*

Associate Professor

Central Department of Management

Tribhuvan University, Nepal

manojcdmtu@gmail.com

[2]*Associate Professor*

Center Department of Management,

Tribhuvan University, Kathmandu, Nepal

ajayakmc@gmail.com

[3]*M. Phil Scholar*

Faculty of Management

Tribhuvan University, Nepal

adgmadhav@gmail.com

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ABSTRACT

Mutual fund and Investors attraction depends on the numbers of factors and it is differ from context to context. So, this study tries to assess the investor's attractions towards mutual funds in Kathmandu valley. To fulfill the stated objectives 250 potential respondents were selected purposively and responses were collected through questionnaire. The collected data are analyzed with the help of descriptive and correlation analysis. In terms of familiarity with the various financial securities currently available in the Nepalese financial market, most of investors familiar with fixed deposits, medium familiarity with shares and very low familiarity with bonds and debentures and money market instruments. The analysis of the results concluded that investors attracted towards mutual fund due to its flexibility and secured type of investment mechanism, Professional management Service. At the same time study found that investors' has increasing trends of awareness towards mutual funds in Kathmandu. Further, it is recommended that concern authority, regulations body, Issue Manager could conduct such training and awareness program showing the importance of mutual funds.

Keywords: Mutual Funds, Investors, Attractions, Capital Market, Nepal.

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INTRODUCTION

Mutual Fund is a pool of fund generally of several small investors. The collected fund is then invested in financial instruments such as Stocks, Bond/Debentures, Govt. Securities, and Fixed Deposits. Such investment decisions are made by a Professional Fund Manager. Returns from

the investment are shared proportionately among the investors on the basis of the units held by them in the form of dividends. The Mutual Fund investment should find suitable ways to upgrade purchasers information for settling on more judicious choices (Lashmana Rao,2011).Mutual asset is run by capable financial masters, who administer the resource's assets and attempt to convey capital increments or pay from the diversified investment. A Mutual Fund portfolio is coordinated and kept up to facilitate the venture targets communicated in its arrangement. Mutual Fund is a venture vehicle that pools from customers buying their offers to put resources into an arrangement of protections, with buying and selling securities being chosen by a fund manager (Reilly and Brown, 2003). It give little or individual investors admittance to expertly managed arrangement of equities, bonds, and different protections. Every investor, therefore, takes an interest relatively in the gains or losses of the asset. Mutual Funds put resources into an immense number of protections, and execution is normally followed as the adjustment in the complete market cap of the asset is determined by the aggregate execution of the underlying investments. Mutual Funds industry is a developing area due to the elements of investors' insight towards shared asset. Hence they lack the ability to comprehend and to investigate on this matter. In the meantime, investors' discernment and assumption is a lot of significant issue in monetary market (Walia and Kiran, 2009). In this investment apparatuses little investors get advantage from common asset on account of enhancement of venture, proficient administration, affordability and liquidity (Ramamurthy and Reddy, 2005). All in all, the routine method approves attempt to meddle and force limitation on the activities of monetary mediators, with the goal that they can sustain in the monetary market. Due to this reason, mutual funds come up with motivating products and many studies uphold that these limitations help in the advancement of common assets (Ben, Horim, and William L, 1977). The vast majority of women investors by and large evade mutual funds. A principle reason is the absence of awareness, investment methodology; entry and exit move and so on. Desigan et al. (2006)

The Interest of Individual Investors is dependent on different dependent variables viz., gender, age, marital status, level of education, level of income, awareness, preference and risk bearing limit (Kannad 2006). Singh 2012 contended that the greater part of the respondents have no legitimate information on the working of shared assets. He found that demographic factors like gender, income and qualification have fundamentally impacted the investors' inclination towards mutual funds. Be that as it may, two demographic factors, to be specific: age and occupation have not been found affecting the disposition of investors' towards common assets. To the extent the advantages given by shared assets are concerned, return potential and liquidity have been seen to be generally appealing to the investors' lured towards it by its adaptability, straightforwardness and reasonableness. Rakesh and Shrinivas (2013), with their investigation conducted on 400 financial investors covering the classes of executives and Non-executives on individual investment in Mutual funds saw that 185 investors are keen on putting resources into bank supported shared assets in view of security and 126 financial backers are keen on putting resources into establishments in light of their profits. The remaining 89 investors are keen on putting resources into private area and joint venture to augment their profits and to fence against hazards. This research endeavors to discover the relationship between selected variable and investors' awareness towards mutual funds. An investigation of on age, gender,

education, income, and occupation had critical relationship with investors' disposition towards mutual funds; however, they didn't locate any significant relationship directly with mutual funds itself though. (Subramanya and Murthy, 2013). The study in Agra district with 200 respondents found that the segment factors like age, sex, income have solid relationship with the investors' demeanor toward Mutual Fund. Be that as it may, education of the investors had no affected their disposition towards such shared assets (Parihar,2009). In a study on awareness and acceptability of mutual funds led by Singh and Jha, it was found that the purchaser favored mutual fund on account of wellbeing, liquidity and potentiality of return (Singh and Jha, 2009). The consequence of the two factors: age and occupation impacts on investors' inclination towards fund reputation and brand name and least starting investment in mutual fund. It is also presumed that occupation is a variable that influences investors' inclinations where as age doesn't assume any part in building the investors' preferences (Shah and Baser 2012). Mutual Fund is a well known idea among the investors, yet it requires more attention to be spread amongst the objective viewers. The components considered by investors by choosing mutual funds for their different speculations and the degree of awareness about SIP, source of information and factors impacting decision making are examined for its determination (Byju 2016). The above awareness factors are contrasted with demographic factors like age, marital status, occupation and gross yearly income of the respondents to break down "the awareness of investment feasibilities in mutual funds.

Methods Used

It could be consider that, A Mutual Fund investment should find suitable ways to upgrade purchaser's information for settling on more judicious choices. In this context, the primary data has been used by using the questionnaire. Total 250 respondent's views were obtained purposively from those who are either engaged or an interested in mutual fund scheme. For this, test the results, descriptive research design has used to analyze accordingly. Further, the research has also made some hypothesis and analyzed properly with the help of statistical techniques of correlation relationship based on the identified demographic variables. Finally, this research was conducted in Kathmandu Valley.

RESULTS & DISCUSSION
Table: 1 Demographic Frequency Distribution

Variables	Factors	No. of. Respondents
Age	Less than 30 years	55
	30 - 45 years	152
	45 - 60 years	35
	60 above	8
	Total	**250**
Gender	Male	164
	Female	86
	Total	**250**
Annual household Income	Less than 3 lakha	120

	Between 3 to 5 lakhs	90
	Above 5 lakhs	40
	Total	**250**
Qualification	Up to SLC	25
	Up to Higher Secondary School	55
	Bachalors	87
	Masters	83
	Total	**250**
Occupation	Business	60
	Self Employed	80
	Full time Employee	95
	Retired	15
	Total	**250**
Saving	Less than 20%	52
	20-30%	150
	30-50 %	42
	More than 50%	6
	Total	**250**
Marital status	Married	180
	Unmarried	70
	Total	**250**

Source: Field Survey,

Table 1 reveals that, 164 respondents are male and 86 respondent are females, out of total respondent's majority (152) are from the age group of 30 to 45 years followed by 55 respondents are from 45 to 60 years. Only 8 are above 60 years of age. Majority of the respondents are jobholder and rest are self employed followed by business. On the basis of education status, 83 respondents are having qualification of Masters Level and 87 are the Graduated. Out of total 120 investors in less than 500, 00 Annual household Income holders whereas 90 and 40 respondents have 5 lakha to 8 lakha and above 8 lakha respectively. As per the Saving Variables, Majority of the respondents are able to save between 20% to 30% of their total earning followed respondents who are able to save less than 20%.

On the Basis of familiarity of Investment Instruments, the respondents were asked about Shares, Debenture, Fixed Deposit, and Government Securities. The scale ranged 4 for most familiar to 1 being unfamiliar in these investment alternatives.

Table 2
Familiarity with various Investment Securities

Annual Household Income	Familiarity with Stock (Shares)	Familiarity with	Familiarity with Fixed Deposit	Familiarity with Government Securities.

		Debentures and Bond		
Less than Rs. 300,000	2.70	1.60	3.38	1.50
Rs. 3,00,000 to Rs. 5,00,000	3.20	2.10	3.61	1.75
Above Rs. 5,00,000	3.50	2.68	3.79	2.20
Mean	3.133	2.12	3.59	1.82

Source: Field Survey,

Table 2 represents the familiarity of the investors towards various investment securities with respect to their Annual Household Income. Firstly, under the savings category of less than Rs. 3, 00,000 the respondents have mean score of 2.70 under the familiarity with shares. This shows that on an average the respondents of this category have medium familiarity with shares. The mean value of familiarity with shares is 3.13 under Table 3 shows that, maximum respondents have more familiar with fixed deposit which represent the overall mean value i.e. 3.59 and less familiar with government securities i.e. 1.82

Table 3
Investment Objective with Respect to Annual Household Income

Annual Household Income	Investment Objective				Total
	Capital Appreciation	Capital Preservation	Regular Income Generation	Portfolio Management	
Less than 3,00,000	20	25	30	45	120
3,00,000-5,00,000	12	8	27	43	90
Above 5,00,000	9	5	8	18	40
Total	**41**	**38**	**65**	**106**	**250**

Source: Field Survey

Table 3 shows that, out of total 250 respondents, 41 respondents have chosen capital appreciation; 38 respondents have chosen capital preservation; 65 respondents have chosen regular income generation and 106 respondents have chosen balanced approach as their investment objective. In this analysis, we have clearly find that the annual household income also effect the investment objective of Investors. In this particular questionnaire, we have asked to investors about investment objective in particular investors who aware in shares, mutual fund also.

While making the decision on Investment, investors depend on various sources for information that can make and influence in their decision-making process. The result of the survey that asked the potential investors of mutual funds regarding the existing source of information that they use to make the investment decision is shown as follows.

Table 04

Investors Decision making process and existing influence factors

	Information source use by Investors		
S.N.	Source of Information used	Respondents	Percent.
1	Self Analysis	115	46
2	Friends and Family Advice	85	34
3	Brokers Advice	50	20
	Total	**250**	**100%**

Source: Field Survey

Table 4 shows the investors decision making process and existing influence factors. Out of Total investors 115 potential investors analysis and decision based on own analysis followed by family and friends advice and broker advice.

Table: 05

Information source Medium while making Investment Decision:

	Information Source medium while making Investment Decision:		
S.N.	Medium	Respondents	Percent
1	Issue manager and Company Site	60	24%
2	Online Media and Newspaper	65	26%
3	Regulator Website	83	33.20%
4	TV / News Channel	25	10%
5	Others	17	6.80%
	Total	**250**	**100%**

Source: Field Survey

Table 5 represents that the most of the potential investors is for Regulator Website like SEBON and NEPSE followed by Issue manager and company site updates and Online and newspaper for getting the information regarding the value of the Investors source while making investment decision.

Table 06,
Relationship Analysis with Different Variables

Correlation between	Correlation Coefficient	Result
Different Demographic Variables and Investment Decision	0.458	Positive
Mutual Funds Characteristics and Investment Decision	0.65	Positive
Influencing Factors and Development of Mutual fund Schemes	0.156	Positive
Investors Investment Objective and Investment Decision	0.43	Positive
Return on Investment and Investment in Mutual funds	0.55	Positive
Promotional Tools and Investment in Mutual Funds	0.29	Positive
Risk Perception and Investment Decisions	0.583	Positive

Table 6 shows relationship analysis with influencing factors, There is positive relationship between Demographic variables, influencing factors and development of mutual fund schemes, Investors investment objective and investment in mutual funds, return on investment and investment in mutual funds, promotional tools and investment in mutual funds, risk perception of investors and investment decisions and there is significant relationship between characteristics of mutual funds and investment decisions.

Conclusion

Mutual fund is an instrument for ventures that collects the funds from huge numbers of small investors into enormous capital arrangements. There are many reasons for investors to choose mutual fund investment in the recent days. This professional portfolio manager is being provided with a relatively small price to pay for getting professional help in this sector as well. Mutual funds benefit its investors in terms of flexibility, variety, diversification, liquidity and tax. The major conclusion of the study is that investor's attraction for investment in mutual fund was due to its flexibility and secured type of investment mechanism. Likewise, it was an influencing factor of investment decision amidst their busy schedule, portfolio management service and work schedule. In addition, education level, Marital Status, Awareness Level, also played a vital role besides income and saving of investors amongst other factors. Investment opportunity can be gained due to the access of Mutual funds but they did not know of it beforehand due to inadequate resources and knowledge. Mutual funds provide opportunities to solve the investors' requirements. However, the right way is to do proper selection and have a process for monitoring and controlling the investments. In Nepal, the mutual fund industry is at a growing stage and it is incorporating a higher figure of larger funds every year.

The awareness level of mutual fund among the investors is very low. Having partial knowledge about it prevents them to invest in it as they fear that their funds would go to waste. The Stock

Investors Invest in Mutual fund for managing the portfolio and due to opportunity cost and returns base assumption many investors not convincing the it is a growth investment options. In this Paper, we found that, the concept of Nepalese youth about mutual fund is it is the passive investment tools. With proper regulations, policy makers can undertake action to ensure sufficient return on mutual fund investments. Planners should encourage private companies to raise funds capital through such concepts of shared assets. Likewise, the Securities Board of Nepal (SEBON) can arrange education programs on this subject and conduct training program on the importance of mutual funds as well.

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