

# Review on the Attitude of Investors towards Mutual Funds

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**Abstract:** *The aim of this research is to determine how investors see mutual funds. The dependent variables in the study were the investors' perceptions of mutual funds, fund schemes, risk and return, and investors' level of education. Using a five-point Likert scale, standardized questionnaires were used to gather data for the study. In all, seventy-two investors took part in this research. This study looks at how investors' perceptions are affected by fund schemes, risk and return, and investor awareness levels. The data was collected using questionnaires as a study instrument, and descriptive statistics, correlation, and regression were used in the analysis process using SPSS software. The links and impacts between the variables were determined using regression analysis and correlation. The results of the analysis showed that, while fund scheme and risk and return had little effect on investors' perceptions of mutual funds, the investor's degree of knowledge variable had a positive and significant impact.*

**Keywords:** Fund Scheme, Risk & Return, Investors, Mutual Fund

## I. INTRODUCTION

One kind of trust that combines the money of numerous participants with comparable investing goals is a mutual fund. According to Chawla (2014), a mutual fund is an indirect financial market investment that offers cheap investment fees, professional management, tax benefits, liquidity, and diversity. Because it gives investors the chance to allocate their funds to a wide range of expertly managed securities at comparatively low prices, it is appropriate for general investors. The significance of mutual funds has grown as a result of shifting economic conditions, declining interest rates on bank deposits, deteriorating capital markets, and recent negative investor experiences with direct investments in capital market instruments. They are crucial to the growth of the financial sector, capital markets, and financial intermediation. Investment funds are a significant player in the financial and capital markets, demonstrating their active role in economic development (Bajracharya, A Study of Investors' Attitude towards Mutual fund in Kathmandu City, Nepal, 2017). Recently, mutual funds have increased in value greatly. Brokerage firms and fund managers work together to help investors by teaching them about mutual fund schemes through various forms of advertising (Brigham & Gapenski, 2007). This is the outcome of their combined efforts.

In the 18th century, mutual funds made their debut in the Netherlands. In the 19th century, they expanded to Switzerland, Scotland, and the US. Offering investors a variety of financial options is the primary motivation for investing in mutual funds. An industry's ability to succeed in the current era of globalization and competitiveness is determined by the performance of its stock on the market. Stocks of businesses with the most potential for profit are what investors choose to purchase. A new era of mutual funds was introduced to the Nepali financial industry in 2050 BC (1993 AD) with the debut of the NCM mutual fund. With a mere Rs 100 million capital gain, it was an open program. Investment bankers now provide five to ten times bigger sums of money, and they have grown to be crucial players in Nepal's financial industry. Launching the "NCM 2050 Mutual Fund" in 1993 and the "NCM-2059 Mutual Fund" in 1993/94, NIDC Capital Market is a leading mutual fund company in Nepal. Similar to this, the Citizen Investment Trust-managed "Citizen Unit Scheme 2052" was introduced as an open-ended mutual fund in 1994–1995 and is still in existence today. There is insufficient supervision and regulation of the operating environment of these three mutual funds. The primary authority for the stock market in Nepal was founded in 1993 and is known as the Securities and Exchange Board of Nepal (SEBON). Subsequently, the Securities Act 2006, the Mutual Fund Regulation Act 2010, and the Securities Dealers (Commercial Banks) Regulations 2008 were developed and implemented,

facilitating the licensing, oversight, and appropriate management of mutual funds in addition to investment banking operations in Nepal (Shrestha, 2020). In Nepal, 'A' class commercial banks licensed by Nepal Rastra Bank sponsor and oversee mutual funds, which are managed by fund managers, or merchant bankers. Only merchant bankers who are directly affiliated with commercial banks are permitted to manage and flog mutual funds. Consequently, mutual fund firms are subsidiaries of commercial banks that are owned entirely.

Mutual funds are still not as popular as other financial assets as investments in Nepal. Term deposits remain the most popular and commonly used financial asset among Nepali investors. Gongol and Shakya (2017). Furthermore, even if mutual fund investments provide benefits such reservations in initial public offerings and the avoidance of double taxation in addition to dividends paid to investors, investors still choose to invest in shares rather than mutual fund schemes. Investor impressions are influenced by a number of things. It is commonly known that the heart of any financial market is its investors. The actions of investors are dynamic. It could vary depending on the security and area. Therefore, identifying the elements that affect investors' perceptions is crucial. To improve investing and create relevant theories and policies, it is essential to comprehend how investors make securities investments (Aruna&Bajracharya, 2016).

The primary aim of this research is to ascertain Nepalese investors' perceptions regarding mutual funds. The following goals are the focus of this study:

1. to investigate how fund plans affect investors' perceptions.
2. to investigate how investors' perceptions are affected by risk and return.
3. to investigate how investors' perceptions are impacted by their awareness level.

## **II. REVIEW OF LITERATURE**

Convenience sampling was used by Chawla (2014) to gather information from 431 respondents in order to comprehend the purchasing habits of retail investors for mutual funds. Investors in mutual funds were asked to respond to an online survey. The main lesson to be learned from this essay is the range of attributes that investors find significant when making mutual fund investments. There are two significant underlying factors identified. These two factors are the fund's attributes and dependability. It was also mentioned that growth funds, underwriting, and the track record of tax-advantaged capital funds are crucial factors for mutual fund investors to take into account. According to the firm's study, investors want fund managers to reduce potential hazards, with over 54% expecting bigger returns and improved capital value while preserving low risk and tax savings. This implies that the business maintains a low level of constraint while anticipating large returns.

Singal&Manrai (2019) conducted research in Delhi's SDMC area. The study's sample, which consists of 226 citizens, was selected using a proportionate quota sampling technique. The researcher used an exploratory and descriptive research design. The results of the study demonstrate the importance of fundamental factors like return, risk, diversification, fund manager expertise, and past performance in helping investors make decisions. Liquidity and volatility have little bearing on investing advice since they are risk averse and lack in-depth understanding of funds and their management. The research integrates concepts from elements impacting mutual fund investments into a perceptive investment analysis, where investor perception is a critical component in the investors' decision-making process.

Kandel (2018) used a sample size of 156 and data analysis tools like SPSS and Microsoft Excel to perform a study in the Kathmandu Valley. The descriptive and analytical methods provide the foundation of the study. The investors in the Kathmandu Valley who work in various fields make up the study's population. The research's key finding is that investors are generally less familiar with shares, bonds, debentures, and money market instruments, but more familiar with fixed deposits. This investigation led to the conclusion that mutual funds would be a valuable institution for bridging the divide in Nepal between individual savers and well-established companies. It might serve as a means of drawing in and assembling Nepali small investors to help them break into the country's securities market. It is imperative that Nepal's government drafts several laws so that the general public is aware of them.

### **Funding Plan**

Investor perceptions of investments are also influenced by fund strategies. The best equity plans are thought to be mutual fund plans, which are followed by income plans, balanced plans, and other sector-specific or unique plans. Debt

schemes are not preferred to equity-based schemes. Owing to the relative youth of mutual funds in Nepal, variations in the investing landscape, as well as in financial literacy and financial education, might result in notable departures from presumptive norms. Insurance firms and other financial institutions now have the opportunity to run several mutual fund schemes thanks to the amendment(s) made to the Mutual Fund Regulations, 2010. The implementation of this new law may encourage the hiring of more mutual fund managers. Develop the mutual fund sector as a competitive industry concurrently. However, given that investors are already displaying aversion to mutual funds, there is still a significant risk that they won't be able to draw in and satisfy them. To draw investments, fund managers must customize mutual fund plans for particular investor categories (Shrestha, 2020).

### **Risk and Returns**

This variable is crucial in determining if the expected return or risk exceeds the goal return during the sustainability period. Effective resource allocation involves selecting assets according to their risk and return profiles. The goal of investing is to maximize return on capital while minimizing risk. In other words, inflation and price increases reduce the value of money. Investments or savings made with the intention of preventing inflation. The real rate of return will be negative if price rises are not profitable for the investment. As a result, an investor's goals should be to reduce risks, increase returns, and hedge against inflation. Based on their worries and experiences, investors' perceptions of the risk associated with financial assets determine the meaning of risk perception. The notion that risk is unbiased or inconsistent, or that the extent, scope, and duration of consequences for any individual, group, or society is a factor, is known as risk perception. This is a crucial tool for making wise judgments about taking risks when faced with uncertain circumstances. The study of financial risk is made more difficult by the fact that every investor has a different risk tolerance and perception. Consequently, the investor's perception of risk is the primary component influencing perception (Saleem, 2021).

### **Knowledge Level of Investors**

Investor confidence and knowledge levels influence how successful mutual funds are. Age, gender, education level, and occupation all affect investment tendencies. Mutual fund investors have access to investing options where their exposure and savings may be constrained by a lack of resources or expertise. Mutual funds have the capacity to satisfy investors' needs; however, this can only be accomplished by choosing wisely and putting controls and monitoring procedures in place. Because some investors own mutual funds and invest in them to reduce risk and eliminate concerns about back money, there is a very low awareness of mutual funds among investors. The steps taken to guarantee sufficient returns on capital in mutual funds may be known to policy makers. Additionally, planners must provide incentives for private businesses to use investment funds to obtain cash. The Nepalese Security Council may take the required steps to advance mutual fund education and training initiatives. (Bajracharya, An Analysis of Mutual Fund Performance in Nepalese Mutual Fund Units.

Fund (2016)). Investors' ability to perceive information is significantly influenced by their understanding of neurological information. In this study, the term "neuronal information" refers to an investor's comprehension of recent changes in mutual fund prices, the state of the economy (such as the GDP or business cycle), and changes or trends in the mutual fund index. The degree of investor confidence and understanding determines how effective the mutual fund is; investment behavior varies with age, gender, occupation, and level of education. Finding the investors' level of understanding is the aim of this investigation. The analysis shows that, as opposed to development plans and closed systems, income structures and open systems are necessary in the current market context. The protection of the principal, appreciations, and profitability are prioritized by investors. Newspapers and periodicals are the primary information sources used while purchasing mutual funds. One important consideration is that the investment programs are being advised by and serving investors (Shrestha, 2020).

### **III. CONCLUSION**

In conclusion, the research on Nepali investors' perceptions of mutual funds illuminates the complex processes influencing investors' perceptions of these investment vehicles. The results show the critical role that investors' knowledge plays in forming their impressions and the necessity of ongoing education programs to improve knowledge

and confidence about mutual fund investing. The research highlights the significance of taking into account broader issues that impact investor views, even while the particular fund scheme and perceived risk-return profile were found to have little effect on investors' impressions. A more equitable and thriving mutual fund market in Nepal can be fostered by stakeholders by addressing these subtle influences and establishing a supportive regulatory framework. In general, the study offers significant perspectives for professionals, decision-makers, and scholars who seek to encourage knowledgeable choices and involvement from investors in Nepal's financial system.

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