

RESEARCH ARTICLE

DOI: 10.47703/ejeb.v3i67.277



External Factors Influencing on the Development of Mutual Funds in Kazakhstan

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For citation: Kan, L., Mukhamedyarova-Levina, T., Abdullayeva, B. & Mukhiyayeva, D. (2023). External Factors Influencing on the Development of Mutual Funds in Kazakhstan. Eurasian Journal of Economic and Business Studies, 67(3), 85-103.

Conflict of interest: author(s) declare that there is no conflict of interest.

EJEB

Abstract

This study explores the potential for the development of mutual funds in Kazakhstan by analyzing external factors such as regulatory policies, market conditions, and geopolitical events. The increasing household savings rate in Kazakhstan and growing foreign investment in mutual funds suggest a positive outlook for the industry. The aim of this study is to explore and analyze the external factors influencing the development of mutual funds in Kazakhstan and their potential implications for investors and the broader financial market. Additionally, the study aims to investigate the factors that influence investors' behavior in selecting mutual funds over other investment vehicles such as bank deposits. The study also seeks to develop and test hypotheses regarding the impact of external factors, such as time horizon, investment knowledge, and risk capacity, on the development of mutual funds in Kazakhstan. The research is based on a survey of professionals from the finance and banking industry in Kazakhstan, and the results indicate that consistent past performance, size of funds, and cost of transaction are the most important factors for mutual fund selection. The study concludes that the growth in mutual funds in Kazakhstan presents significant opportunities for investors, fund managers, and policymakers, but also highlights the need for continued research into the factors influencing mutual fund performance.

Keywords: Economic, Mutual Fund, National Bank, External Factors, Dependency, Influence, Kazakhstan

SCSTI: 06.73.21

JEL Code: D14, D33, D53

Financial support: The study was not sponsored.

1. INTRODUCTION

Development of mutual funds in Kazakhstan is the result of the interactions of various external factors. As one of the critical forms of investment, mutual funds play an essential role in raising and managing investors' funds. Furthermore, mutual funds have become a popular investment vehicle for individuals seeking diversification in their investment portfolios. The development of mutual funds is influenced by various external factors that shape the industry's growth and evolution. This literature review will examine the external factors that impact the development of mutual funds.

According to the National Bank of Kazakhstan, the household savings rate in Kazakhstan increased from 20.1% in 2019 to 24.3% in 2020, indicating a growing trend towards savings among the population (National Bank of Kazakhstan, 2021). This is a positive sign for the development of mutual funds in Kazakhstan, as investors seek to put their savings to work in investment vehicles that offer potentially higher returns than traditional savings accounts.

Foreign experience also supports the potential for mutual funds development in Kazakhstan. For example, in neighboring Russia, mutual funds have grown significantly in popularity in recent years. According to data from the Central Bank of Russia, the number of mutual funds in the country grew by 10.2% in 2020, with assets under management increasing by 20.4% (Central Bank of Russia, 2021). This growth has been fueled by a combination of factors, including favorable regulatory policies, increasing investor education, and a growing middle class.

Moreover, foreign investment in Kazakhstan's mutual funds has also been increasing in recent years. According to data from the National Bank of Kazakhstan, the total volume of foreign investments in Kazakhstan's mutual funds grew by 45.3% in 2020, reaching 340.5 billion tenge (National Bank of Kazakhstan, 2021). This suggests that foreign investors are also recognizing the potential for growth in Kazakhstan's mutual fund industry.

The increasing household savings rate in Kazakhstan, combined with foreign experience and investment, suggests a positive outlook for the development of mutual funds in the country. However, regulatory policies, market conditions, and geopolitical events will also play a significant role in shaping the future of this industry.

The issue of the development of investment funds and the factors influencing it is of interest to scientists and practitioners. Some researchers have studied the legal framework, licensing and regulatory mechanisms as a factor in the operation of mutual funds. (Neelima, 2016; Li et al. 2020) Others have considered financial infrastructure, exploring the relationship between capital development and mutual fund growth (Farid & Wahba, 2022). In addition, economic conditions, ie. GDP growth, inflation, interest rates, and market stability also influence the development of various investment funds (Xu, 2018). In addition, the authors explore the role of financial literacy and investor education programs in encouraging investment in mutual funds (Fitria et al., 2019; Shaik et al., 2022). However, research has yet to be devoted to examining the factors influencing investor behavior when choosing mutual funds over bank deposits, which is a scientific gap. This study contributes to the study of this gap.

Mutual funds are a popular investment vehicle globally, providing individuals and institutions with access to professionally managed portfolios of securities. In the Republic of Kazakhstan, mutual funds have gained significant traction in recent years as investors seek to diversify their portfolios and benefit from the country's growing economy. However, the development of mutual funds in Kazakhstan is influenced by a variety of external factors, including regulatory policies, economic conditions, and geopolitical events. Understanding these external factors and their impact on the development of mutual funds in Kazakhstan is critical for investors, fund managers, and policymakers seeking to capitalize on the opportunities presented by this growing industry. The subject of the research is the relationship of investment entities, both individuals and legal entities of the market, participating in the development of mutual funds, as well as economic

relationships that develop in the process of functioning of mutual funds in the system of collective investments. This paper aims to explore and analyze the external factors influencing the development of mutual funds in Kazakhstan and their potential implications for investors and the broader financial market.

The results of this study will provide a picture of the external factors influencing the development of mutual funds in the Republic of Kazakhstan. Their analysis and understanding can help policy makers, regulators and practicing investors make decisions and shape strategies in this area.

2. LITERATURE REVIEW

Regulations play a critical role in shaping the development of mutual funds. The regulatory framework provides guidelines and restrictions that govern mutual fund operations, including investment objectives, fees, disclosure requirements, and investor protection. The Securities and Exchange Commission (SEC) in the United States and the Financial Conduct Authority (FCA) in the United Kingdom are examples of regulatory bodies that shape the mutual fund industry's development. These bodies have implemented various regulations, such as the Investment Company Act of 1940 in the United States and the Undertakings for Collective Investment in Transferable Securities (UCITS) in Europe, to protect investors' interests and ensure the stability of the financial markets (Zetzsche, 2018).

The existing “Behavioural Finance” studies are very few and very little information is available about investor perceptions, preferences, attitudes and behavior. All efforts in this direction are fragmented. Some research assessed the awareness of mutual funds among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund (Trotta, 2018). The study revealed that income schemes and open-ended schemes are more preferred than growth schemes and close ended schemes. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance. Newspapers and magazines are the first source of information through which investors get to know about mutual funds schemes. Investor service is a major differentiating factor in the selection of mutual funds schemes (Wang & Yang, 2019).

Rajeswari (2018) conducted research related to understanding the behavioral aspects of the investors of the Northeastern region towards equity and mutual funds investment portfolio. The study discussed that well paid, and self-employed formed the major investors in mutual fund primarily due to tax concessions. Deb et al. (2007), Ravi et al. (2020) and Mandal et al. (2020) conducted a study to understand investor preferences survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that Awareness about mutual funds concept was poor in small cities. Age and income are the two important determinants in the selection of the funding purchasing mutual funds based on data obtained from a judgment sample of 336 educated investors in Urban and semi-urban cities (Ravi et al., 2020). The result shown that fund safety is the most important criteria. Yang et al. (2021), examined the relative importance of factors considered important in the selection of mutual funds by financial advisors in emerging markets.

The economic environment is another critical factor influencing the development of mutual funds. Economic indicators, such as GDP growth, inflation, and interest rates, affect the investment decisions of mutual fund managers and investors. When interest rates are low, investors tend to seek higher yields in riskier assets such as stocks and bonds. This can lead to an increase in demand for equity and fixed income mutual funds (Gyamfi Gyimah et al., 2021).

The technological environment has played a significant role in the development of mutual funds. The widespread use of the internet and mobile devices has made it easier for investors to

access mutual fund information, make investments, and monitor their portfolios. Additionally, advancements in technology have led to the development of robo-advisors, which use algorithms to recommend investment portfolios based on an investor's risk tolerance and investment goals. These technological advancements have made mutual funds more accessible to a wider range of investors, including younger generations who are more tech-savvy (Kaur & Bharucha, 2021).

The demographic environment is also an important factor influencing the development of mutual funds. The aging population in many countries has led to an increased demand for retirement investment options, such as mutual funds. Additionally, millennials, who are the largest living generation, have shown a preference for socially responsible investments. This has led to the development of mutual funds that invest in companies that have a positive impact on society and the environment (Shaik et al., 2022).

The development of mutual funds is influenced by various external factors, including the regulatory environment, economic environment, technological environment, and demographic environment. Understanding these external factors is crucial for mutual fund managers and investors to make informed investment decisions. As the mutual fund industry continues to evolve, it is essential to monitor these external factors and their impact on the industry.

The methodologies used by various scientists varies. Some studies used questionnaire-based survey methods to collect data from mutual fund investors to investigate the relationship between investment choices, risk tolerance, and demographic characteristics and used a combination of quantitative and qualitative research methods to explore the factors affecting the future development of the mutual fund industry (Gong et al., 2016; Asemi et al., 2023; Xu, 2018) and in-depth interviews (Kaur & Bharucha, 2021). Other studies used a dataset of mutual fund holdings to investigate the phenomenon of "home bias" in domestic equity portfolios and how distance, language, and culture influence stockholdings and trades.

Other studies used time-series regression analysis to examine the dynamic relationship between stock, bond, and mutual fund flows and investigated the relationship between stock lending and corporate control and regression analysis to examine the relative contributions of skill and luck to mutual fund returns (Malhotra & Sinha, 2021; Harvey & Liu, 2022). In addition, to examine the changing role of mutual funds in retirement planning scientists used a literature review and secondary data analysis, to defined benefit pension plans there were investigated the factors that affect the selection and termination of investment management firms. Party transactions involving companies and international mutual fund holdings (Ferreira & Matos, 2008) to investigate the role of institutional investors in global financial markets.

Asad & Siddiqui (2019), Farid & Wahba (2022) and Fitria et al. (2019) analyzed the factors that influence the development of the mutual fund industry and investment decisions in mutual funds using descriptive statistics and regression analysis.

In conclusion, various external factors, including time horizon, investment knowledge, and risk capacity, influence mutual funds' development and performance.

The time horizon or the time investors plan to hold their investments plays a significant role. Mutual funds are designed to cater to different time horizons, offering options for short-term, medium-term, and long-term investment goals. Investors with shorter time horizons prefer funds with liquidity and lower volatility. Investors with a deeper understanding of financial markets, investment strategies, and fund performance will likely make more informed decisions. They may conduct thorough research, analyze fund prospectuses, and evaluate historical performance before selecting a mutual fund or relying on recommendations.

Furthermore, the risk capacity of investors influences their mutual fund preferences. Risk capacity refers to an investor's ability to tolerate and absorb potential losses. Some investors may have a higher risk tolerance and be more comfortable with aggressive growth funds that offer the potential for higher returns but come with increased volatility. Conversely, risk-averse investors

may opt for conservative funds that prioritize capital preservation and provide a lower level of risk.

3. METHODOLOGY

This review paper covers some studies and techniques used to check the mutual fund's dependence from the external factors, such as time horizon, risk capacity and investment knowledge. Through this survey it is observed that performance analysis of mutual funds needs an extensive in-depth analysis of various factors and further study can be done to improve the predictability and volatility of mutual fund performance. Current research consists of two part^ analysis of the current activity situation of mutual investment funds and an analysis of such factors as time horizon, investment knowledge and risk capacity.

The first stage is devoted to analyzing the mutual fund market and covers data for five years, from 2018 to 2022, since this period was not previously analyzed.

The second part of the analysis covers the gap between existing studies; this study framework is based on the conducted literature review. Current work is focused on the influence of factors on the customer's behaviour in the selection of mutual funds. Thus, the objective of this study is to find out which of the factors have effect on the developing of the mutual funds in Kazakhstan.

The following hypotheses were developed.

Mutual funds are influenced by Time Horizon external factor (H1)

Mutual funds are influenced by Investment knowledge external factor (H2)

Mutual funds are influenced by Risk Capacity external factor (H3)

In the table 1 there are shown survey questions.

The questionnaire consisted of descriptive statistics (age, gender, current income, education level and occupation) and four groups of questions. In Table 1 there are shown survey questions.

TABLE 1. Questionnaire: Time Horizon, Invest Knowledge, Risk Capacity, Mutual Funds

No.	Question	Question groups
1	I plan to begin taking money from my investments in ...	Time Horizons
2	As I withdraw money from these investments, I plan to spend it over a period of . . .	
3	When making a long-term investment, I plan to keep the money invested for . . .	
4	Which statement best describes your knowledge of investments?	Invest Knowledge
5	From September 2021 through November 2021, stocks lost over 31%. If I owned a stock investment that lost about 31% in three months, I would . . . (If you owned stocks during this period, please select the answer that matches your actions at that time.)	
6	When it comes to investing in bond mutual funds, I would describe myself as . . .	
7	I check the management expense ratio (MER) before purchasing a bond mutual fund....	
8	High turnover can be a warning sign	
9	Past performance of mutual fund statistics can't tell me how the fund will perform in the future	
10	It's important to Make sure the fund's goal fits with your investment goals	
11	Generally, I prefer an investment with little or no ups and downs in value, and I am willing to accept the lower returns these investments may make.	
12	When the market goes down, I tend to sell some of my riskier investments and put money in safer investments.	

13	Based only on a brief conversation with a friend, coworker, or relative, I would invest in a mutual fund.	Risk Capacity
14	In making financial and investment decisions you are:	
15	When you are faced with a major financial decision, are you more concerned about the possible losses or the possible gains?	
16	I prefer the higher potential returns with the higher risk rather than less returns with less risks	
17	From September 2021 through October 2021, bonds lost nearly 4%. If I owned a bond investment that lost almost 4% in two months, I would Sell some of the remaining investment	
18	Mutual Funds are more most secure rather than Hedge Fund?	Mutual Funds
19	Mutual funds are more aggressive in maximizing its returns?	
20	Mutual funds are regulated by Kazakh Law	
21	Mutual funds are focused on retail investors	
22	Mutual funds strategies are generally limited to investments in the equity market	
<i>Note: compiled by authors</i>		

This survey is based on the twenty-two question that were answered by category of professionals from the finance and banking area of Kazakhstan in the age of more than 35 years old with the stable financial situation and availability of some savings. Answers on the questions were grouped by the following categories: time horizons, investment knowledge and risk capacity.

The result of the survey pointed out to four important factors which dominate the choice of mutual funds. These are consistent past performance, size of funds and cost of transaction. Factors which relate to fund managers and investment style are not considered to be relatively important. Conjoint analysis was selected to study the importance of attributes for mutual fund selection.

The present study is proposed to study, analyze the factors which influence the behavior of investors in selection of mutual funds instead of bank deposits. Studies of analyzing of investor's behavior found from time to time.

Data Collection – for carrying out the study, the population was defined as residents of big urban town (Almaty), who have mutual funds in the city. The data was collected with the help of a questionnaire.

Questionnaire design - the Questionnaire consists of five parts: general/personnel details, investors opinion related to investment knowledge and experience, awareness and readiness to risk and the length of the investments, and mutual funds.

Time Horizons – the length of the investments time horizons impacts the types of investments that may be suitable for an investor. Investors with a time horizon of a greater than three have a greater degree of flexibility when building a portfolio. If there is a very short time horizon, more conservative investments or money market funds may be the only suitable option in this case.

Investment knowledge – if an investor has a high level of investment knowledge, he has a good understanding of the relative risk of various types of investments and understand how the level of risk taken affects protentional returns. If an investor has very little knowledge of investments and financial markets, speculative and high-risk investments and strategies are likely not suitable option.

Risk Capacity – investor's financial situation is including the assets; debts and the amount and stability of investor's income are all important when determining how much risk can be taken with the investments. The larger portion of total assets which are invested, the more conservative investor might wish to be with the portion of the portfolio.

Understanding these external factors, including time horizon, investment knowledge, and risk capacity, is crucial for investors and fund managers when making investment decisions. By aligning mutual fund offerings with investors' needs and preferences in these areas, fund managers can attract and retain investors better suited to their fund's objectives and characteristics.

4. FINDINGS AND DISCUSSIONS

Investment horizons for Kazakhstanis have become much broader. The growing interest of citizens in increasing their funds has led to an interesting trend: the revival and development of mutual funds and the formation of a collective investment market.

In the context of the crisis caused by the COVID-19 pandemic, the population of Kazakhstan is actively investing money in various financial instruments. Deposits have traditionally been the most common type of investment to protect against inflation among the people. So, in January 2023, compared to January 2022, the total volume of household deposits in Kazakhstani banks increased by 3.7 trillion tenge.

At the same time, starting in 2020, Kazakhstanis are becoming increasingly interested in the securities market. The country's stock market is experiencing tremendous growth in the number of retail investors. If in 2018-2019, the number of retail investor accounts was practically the same and did not exceed 120 thousand, and then by the end of 2020, their number was more than 130 thousand. In June 2021, there were 176.5 thousand accounts in the country retail investors, corresponding to approximately 2% of the employed population of Kazakhstan.

A mutual fund pools investors' funds to collectively invest them in some financial instruments - stocks, bonds, real estate, etc. You can buy a share, that is, a share in this portfolio or several shares - their number depend on the share's price and the amount the investor has contributed. In most cases, the minimum investment in a mutual fund is quite affordable for any potential investor. In the figure, 1 there is presented data on mutual investment funds for the period from 2018 to 2022.

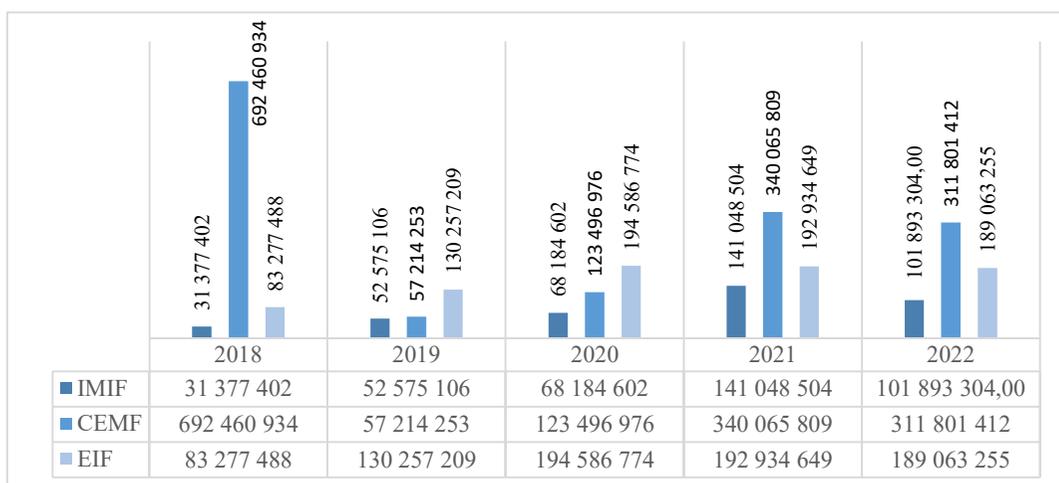


FIGURE 1. Assets of interval and open mutual investment funds

Note: compiled by authors

Since 2019, especially in 2021, mutual funds have been gaining more and more popularity among the population of the Republic of Kazakhstan. In 2021, the assets of interval mutual

investment funds (IMIFs) increased by 2.2 times compared to 2020 and for the year and amounted to 141 billion tenge (68.1 billion tenge a year earlier). In 2022, assets decreased to 101.9 billion tenge. The assets of closed-end mutual funds (CEMF) decreased compared to 2018, with a sharp decline in 2019 to 57.2 million, a 12-fold decrease. Then there was growth in 2022, assets reached 311.8 million tenge. Assets of equity investment funds (EIFs) show positive dynamics from 2018 to 2021, and in 2022 they decreased by 3%.

Meanwhile, the number of shareholders among the population as of 2022, amounted to 6.8 thousand people, two times more than in the same period of the previous year. Compared to 2018, it has grown 45 times, from 151 to 6844 people. The number of shareholders in interval mutual funds is given in the table 2.

TABLE 2. Number of shareholders of mutual investment funds (at the end of the period) from 2018 to 2022

Mutual fund type	2018	2019	2020	2021	2022
Closed	21	46	95	159	146
Open	1	77	73	78	80
Interval	129	854	1026	2801	6618
Total	151	977	1259	3038	6844

Note: compiled by authors based on the source (Websites of government bodies, 2023)

The most popular among the population are mutual funds of such investment management companies as Halyk Finance, BCC Invest and First Heartland Jusan Invest. In the table 3 there is given data on mutual funds for 2021 and 2022.

TABLE 3. Net assets of mutual funds for 2021-2022

#	Title investment fund	Net assets, (thousand tenge)	
		2021	2022
	JS "BCC Invest" SO JSC "Bank CenterCredit"	54 031 553	12 187 654
1	IMIF "BCC Elite"	0	73 683
2	IMIF "CenterCredit - Foreign Exchange"	49 733 948	18 231 346
3	IMIF "CenterCredit - Reasonable balance"	4 297 605	3 882 625
	EIF "First Heartland Jusan Invest"	11 130 985	8 559 438
4	IMIF "harMONEY"	1 067 322	223 388
5	IMIF "abyROI"	840 001	589 478
6	IMIF "állEM"	5 733 314	5 095 579
7	IMIF "allGA"	2 545 585	2 427 082
8	IMIF "doSTAR"	944 763	223 911
	JS "Branch NBK "Halyk Finance"	62 590 265	54 330 528
9	IMIF "Halyk - Prospective investments"	5 903 988	5 459 636
	IMIF "Halyk – Balanced"	6 277 809	6 100 093
10	IMIF "Halyk-Currency"	49 975 731	41 986 042
11	IMIF "Halyk-Liquid"	432 737	361 195
12	IMIF "Halyk Global"	-	423 562
	JS "IH "Astana-Invest"	21 387	38 984
13	IMIF "Alpha State"	21 387	38 984
	JSC" Centras Securities "	2 276 538	1 541 866
14	IMIF "Centras-Global Markets"	916 028	609 391
15	IMIF "Eurobond Fund"	741 642	491 335
16	Open-end investment fund "Treasury"	618 868	441 140
	JSC"Management company "ORDA Capital"	-488	-669
17	IMIF "ADAL INVEST"	-488	-669

	JS "FORTEFINANCE"	1 629 987	2 242 521
18	IMIF «TABYS Capital»	1 201 211	1 551 456
19	IMIF SAQ Capital	428 776	691 065
	JS «UD Capital»	-	42 103
20	IMIF «UDC Progress»	-	18 707
21	IMIF «UDC Safe+»	-	23 396
	JS "Freedom Finance"	4 929 493	5 493 903
22	IMIF "Fixed Income"	4 291 667	4 893 903
23	IMIF "GoodWill"	637 826	600 000
<i>Note: compiled by authors based on the source (Bureau of National Statistics, 2022)</i>			

The most significant volume of net assets of mutual funds is managed by Halyk Finance — 54,330,528 tenge. Now the company operates five mutual funds. Of these, the main share is occupied by the IPIF "Halyk - Currency" - 41,986,042 tenge. Compared to 2021, the assets of the Halyk-Valutny mutual fund decreased by 8 million tenge, but despite the decrease, its performance is the best among the country's most significant mutual funds.

Halyk Finance also manages mutual funds such as Halyk - Balanced, Halyk - Prospective Investments, Halyk - Liquid and, since 2022 "Halyk Global". The difference between them is in the structure of the investment portfolio and, accordingly, the level of profitability.

BCC Invest and First Heartland Jusan Invest also have a notable amount of mutual fund assets. The first manages a sizeable mutual fund, "CenterCredit - Currency", the number of net assets decreased from 49.7 million tenge to 18.2 million tenge, a decrease of 2.7 times.

Meanwhile, First Heartland Jusan Invest manages three currency and two tenge mutual funds. The total net assets of the joint investment fund of the company reached 8.5 million tenge. In general, in 2022, there will be a decrease in net assets in all mutual funds.

The activities of management companies are controlled and licensed by the authorized state body, and money is invested in strict accordance with the investment declaration, which contains a list of assets permitted for acquisition (securities, precious metals, bank deposits and other financial instruments). The analysis did not include closed-end mutual funds (CPIFs) since information on them is not disclosed in the context of management companies.

Due to the volatility of the national currency exchange rate and low rates on foreign currency deposits, investors remain in demand for shares of investment funds, the investment strategy of which provides for the acquisition of foreign currency assets. Compared to foreign currency deposits, the yield on which does not reach even 1%, investing in foreign currency mutual funds is a popular tool, which can be several times higher than the values of second-tier banks of the Republic of Kazakhstan. As of August 1 of this year, 50% of UIF investors are holders of units of currency investment funds. Most foreign currency mutual funds are managed by Halyk Finance, one of the largest asset management companies.

Overall, conducted analysis showed that Halyk Finance dominates the foreign currency mutual fund market and is one of the largest asset management companies in the country. The number of shareholders has also significantly increased, with a 45-fold growth compared to 2018. Mutual funds managed by companies like Halyk Finance, BCC Invest, and First Heartland Jusan Invest have garnered the most attention from investors. Halyk Finance manages a significant volume of net assets and offers various mutual fund options.

Kazakhstan's investment landscape has witnessed a significant shift in recent years. The population has shown a growing interest in diversifying their funds, leading to the resurgence and development of mutual funds and the collective investment market. Amidst COVID-19, people started changing investment behavior and investing in various financial instruments. Household deposits in Kazakhstani banks have increased significantly. Retail investor accounts have risen steadily, indicating a rising interest in the securities market.

Mutual funds have gained popularity among the population since 2019, with a notable increase in 2021. Assets of interval mutual investment funds have more than doubled during this period, reaching 141 billion tenge. Closed-end mutual funds experienced fluctuating asset levels, while equity investment funds displayed positive dynamics until a slight decrease in 2022.

The activities of management companies are strictly regulated and licensed by the authorized state body, ensuring adherence to investment declarations that outline permitted assets for the acquisition. The volatility of the national currency exchange rate and low rates on foreign currency deposits have contributed to the demand for foreign currency mutual funds, providing higher potential yields than traditional bank offerings. Current trends in the financial market reflect changing preferences and the search for higher returns in a shifting economic landscape.

The second part of the study was carried out by collecting responses from respondents (35 respondents). The Questionnaire consists of five parts: general/personnel details, investors opinion related to investment knowledge and experience, awareness and readiness to risk and the length of the investments. The questionnaire consists of 30 questions. The questionnaire is developed based on the questionnaire of MFDA (Mutual Fund Dealers Association of Canada). A brief profile of the respondents is reported in Table 1. Using the visual binning process in SPSS, we have categorized the variable age and it shows that most of the respondents were observed to be in the age of group over 35 years old (86%). In a similar way, the data characteristics are reported for the remaining variables like gender, education and monthly income. In the table 4 there is given profile of respondents.

TABLE 4. Profile of respondents

Variable	Categories	%
Gender	Male	51%
	Female	49%
Age	More 35	86%
	More 45	11%
	More 55	3%
Education	Graduate	
	Post graduate	66%
	Professional degree	34%
Occupation	Social area	
	Finance and Bank area	52%
	Legal area	17%
	Other	31%
Income	Less than \$1000	51%
	Less than \$2000	31%
	Less than \$3000	9%
	Less than \$4000	9%
	Less than \$5000	0
<i>Note:</i> compiled by authors		

For the comprehensive understanding of the factors that influence on the developing of mutual funds, a set of 30 statements, sub grouped into four dimensions Time Horizon – 4 statement, Investment knowledge – 7 statements, Risk Capacity – 7 statements and General info – 7 and Mutual Fund – 5 statements.

In the Survey, the respondents were asked to rate the importance of the 5 grouped variables (1 Independent and three Dependent variables) on a 5-scale ranging from Highly important/Highly agree (5) to Not Important/not disagree (1).

Before the provision of the hypotheses testing Cronbach's alpha for reliability was conducted. The results for Hypothesis 2 (Mutual funds are influenced by Investment knowledge external factor) showed that Cronbach's alpha reliability was less than .05. Thus, the group of questions for “Investment knowledge” needs to be changed or redesigned. Therefore, further analysis included testing of hypothesis 1 and 3. In the table 5 there are given results for model significance based on the hypotheses put forward.

TABLE 5. Hypotheses results

Hypothesis	Regression weight	Beta-coefficient	R2	F	P-value	Hypothesis supported
H1	Time Horizons	.096	.009	.307	.584	Yes
H3	Risk Capacity	.349	.122	4.574	.040	Yes

Note: compiled by authors

H1 - Mutual funds are influenced by Time Horizon external factor.

H3 - Mutual funds are influenced by Risk Capacity external factor.

The dependent variable Mutual Fund was regressed on predicting variables Time Horizon (H1) and Risk capacity (H3) to the test the hypothesizes H1, H3. Time Horizon predicted Mutual Fund (1,33)=0.307, $p>0.001$, and Risk Capacity (1,33)=4.574, $p>0.001$, which indicate that Time Horizon can play some role in shaping of Mutual Fund Development. These results clearly direct the positive affect of the Time Horizon and Risk Capacity. Moreover $R^2=12\%$ and 9% of the variance in Risk Capacity and Time Horizon can be changed.

To have better understanding of the data, factor analyses is conducted. From the Table it is clear that the approximate Chi-Square statistics is 86.5 with 45 degrees of freedom, which is significant level at 0.05 level.

To sum up, certain factors, such as Time Horizon and Risk Capacity, significantly influence the development of mutual funds. The regression analysis revealed that Time Horizon (H1) and Risk Capacity (H3) had a positive and statistically significant effect on Mutual Fund development. This implies that the time horizons of investors and risk tolerance affect the characteristics and performance of mutual funds. Investors with longer time horizons and higher risk capacities may be more inclined to invest in mutual funds that align with their investment preferences.

Factor analysis confirmed the suitability to explore the factors influencing mutual fund development. The results emphasize the importance of considering factors such as Time Horizon and Risk Capacity in understanding the development and performance of mutual funds. This knowledge can enhance the decision-making process for investors and industry professionals, ultimately contributing to the growth and success of the mutual fund industry. In the table 6 there is presented results for Kaiser-Meyer-Olkin (KMO) Measure of sampling adequacy.

TABLE 6. Results for Kaiser-Meyer-Olkin Measure of sampling adequacy

Kaiser-Meyer-Olkin Measure of sampling adequacy	.506	
Bartlett’s Test of sphericity	App. Chi-Square	86.5
	Df	45
	Sig.	.000

Note: compiled by authors

KMO value is 0.506, which is considered average result as it exceeds 0.5 (between 0.5 and 0.6 is considered average). Bartlett’s Test shows 0.000 which is less than 0.005, meaning that factors from variables are satisfactory.

The analysis indicates that factor analysis is an appropriate technique to use for the data. The Chi-Square statistic value of 86.5 with 45 degrees of freedom is significant at the 0.05 level, suggesting that the factor model is a good fit for the data. The KMO value of 0.506 suggests that the data is somewhat suitable for factor analysis, although it is only average. The Bartlett's Test of sphericity shows that factors from the variables are satisfactory, as the p-value is less than 0.005. Overall, the results suggest that factor analysis can be used to identify underlying factors that explain the relationships between the variables in the data. In the table 7 there is given total variance explained.

TABLE 7. Total variance explained

Components	Initial eigenvalues			Extraction sums of squared loadings		
	Total	Dispersion %	Cumulative %	Total	Dispersion %	Cumulative %
1	2,689	26,890	26,890	2,698	26,890	26,890
2	1,584	15,837	42,726	1,584	15,837	42,726
3	1,195	11,945	54,671	1,195	11,945	54,671
4	1,132	11,234	65,995	1,132	11,234	65,995
5	1,029	10,293	76,288	1,029	10,293	76,288
6	,849	8,495	84,783			
7	,619	6,193	90,975			
8	,481	4,809	95,784			
9	,299	2,987	98,771			
10	,123	1,229	100,000			

Note: compiled by authors

From the Table we can see that, total variance explained is 76.288 percent where the first factor determines the 26.890 percent of the variance. The second factor provided a 15.836 percent of the total variance, third and fourth factors determine accordingly 11.945 and 11,324 percent of the variance and finally the fifth factor determines 10.289 percent of the total variance.

The analysis revealed that factors such as Time Horizon and Risk Capacity significantly influence the development of mutual funds. The regression analysis showed positive effects of Time Horizon and Risk Capacity on Mutual Fund development, explaining 12% and 9% of the variance, respectively. Factor analysis confirmed the suitability of the data and identified underlying factors that explain the relationships between variables.

5. CONCLUSIONS

Mutual funds have become a popular investment vehicle for individuals seeking diversification in their investment portfolios in Kazakhstan. The increasing household savings rate, foreign investment, and experience suggest a positive outlook for the development of mutual funds in the country. However, regulatory policies, market conditions, and geopolitical events will also play a significant role in shaping the future of this industry. Through the survey, it was observed that mutual fund performance analysis needs an extensive in-depth analysis of various factors. The present study proposed to analyze the factors that influence the behavior of investors in selecting mutual funds in Kazakhstan. The growing interest of citizens in increasing their funds has led to the revival and development of mutual funds and the formation of a collective investment market. The COVID-19 pandemic has led to an increasing interest in the securities market, and the country's stock market is experiencing tremendous growth in the number of retail investors. Understanding the external factors that impact the development of mutual funds in

Kazakhstan is critical for investors, fund managers, and policymakers seeking to capitalize on the opportunities presented by this growing industry.

In conclusion, this study examined the external factors that impact the development of mutual funds in Kazakhstan. The increasing household savings rate, foreign experience and investment, and a growing interest in the securities market all suggest a positive outlook for the mutual fund industry in the country. However, regulatory policies, market conditions, and geopolitical events will continue to play a significant role in shaping the industry's future.

Furthermore, the study conducted a survey to analyze the factors that influence investors' behavior in the selection of mutual funds in Kazakhstan. The results highlighted the importance of consistent past performance, size of funds, and cost of transaction in mutual fund selection.

The study's limitations include the small sample size and the exclusion of younger investors from the survey. Additionally, the study only focused on external factors and did not delve into the internal factors that affect mutual fund performance.

Following recommendations are developed:

Encourage investor education and awareness campaigns to increase knowledge about mutual funds and the benefits of investing in them.

Monitor and analyze external factors such as regulatory policies, economic conditions, and geopolitical events to identify potential risks and opportunities for the mutual fund industry in Kazakhstan.

Develop and implement policies that support the growth of the mutual fund industry in Kazakhstan, such as tax incentives for investors and favorable regulatory frameworks.

Further research on the factors that influence investors' behavior in selecting mutual funds in Kazakhstan to better understand and meet the needs of investors.

Encourage the development of local fund managers to increase competition and provide investors with a wider range of investment options.

To improve future research, studies could be conducted to analyze the internal factors that influence mutual fund performance and to expand the survey to include a larger and more diverse sample of investors. In addition, policymakers and regulators should continue to monitor the mutual fund industry's development and create a conducive environment for its growth in the country. Overall, this study provides valuable insights into the external factors affecting the mutual fund industry in Kazakhstan and could inform investment decisions and policymaking in the country.

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Investing in bond mutual funds.

I plan to begin taking money from my investments in . . .

- Less than 1 year
- 1-2 years
- 3-5 years
- 6-10 years
- 11-15 years
- More than 15 years

As I withdraw money from these investments, I plan to spend it over a period of . . .

- 2 years or less
- 3-5 years
- 6-10 years
- 11-15 years
- More than 15 years

When making a long-term investment, I plan to keep the money invested for . . .

- 1-2 years
- 3-4 years
- 5-6 years
- 7-8 years
- More than 8 years

Which statement best describes your knowledge of investments?

- I have very little knowledge of investments and financial markets.
- I have a moderate level of knowledge of investments and financial markets.
- I have extensive investment knowledge; understand different investment products and follow financial markets closely.

From September 2020 through November 2020, stocks lost over 31%. If I owned a stock investment that lost about 31% in three months, I would . . .

(If you owned stocks during this period, please select the answer that matches your actions at that time.)

- Sell all of the remaining investment
- Sell some of the remaining investment
- Hold on to the investment and sell nothing
- Buy more of the investment

Generally, I prefer an investment with little or no ups and downs in value, and I am willing to accept the lower returns these investments may make.

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

When the market goes down, I tend to sell some of my riskier investments and put money in safer investments.

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

Based only on a brief conversation with a friend, coworker, or relative, I would invest in a mutual fund.

- I strongly disagree

- I disagree
- I somewhat agree
- I agree
- I strongly agree

From September 2021 through October 2021, bonds lost nearly 4%. If I owned a bond investment that lost almost 4% in two months, I would . . .

(If you owned bonds during this period, please select the answer that matches your actions at that time.)

- Sell all of the remaining investment
- Sell some of the remaining investment
- Hold on to the investment and sell nothing
- Buy more of the investment

The chart below shows the highest one-year loss and the highest one-year gain on three different hypothetical investments of \$10,000.* Given the potential gain or loss in any one year, I would invest my money in . . .



- Investment A (gain \$593; loss -\$164)
- Investment B (gain \$1,921; loss -\$1,020)
- Investment C (gain \$4,229; loss -\$3,639)

(*The maximum gain or loss on an investment is impossible to predict. The ranges shown in the chart are hypothetical and are designed solely to gauge an investor's risk tolerance.)

My current and future income sources (such as salary, Social Security, pension) are . . .

- Very unstable
- Unstable
- Somewhat stable
- Stable
- Very stable

When it comes to investing in bond mutual funds, I would describe myself as . . .

- Very inexperienced
- Somewhat inexperienced
- Somewhat experienced
- Experienced
- Very experienced

What is your estimated net worth (investments, cash, home and other real estate less mortgage loans and all other debts)?

- Less than \$1000
- Less than \$2000
- Less than \$3000
- Less than \$4000

This investment account represents approximately what percentage of your total savings and investments. (Total savings and investments include all the money you have in cash savings, GICs, savings bonds, mutual funds, stocks and bonds)?

- Less than 25% (10 points)
- 25%-50% (5 points)

- 51%-75% (4 points)
- More than 75% (2 points)

How would you classify your overall financial situation?

- No savings and significant debt
- Little savings and a fair amount of debt
- Some savings and some debt
- Some savings and little or no debt
- Significant savings and little or no debt

What is your age group? (*Your age is an important consideration when constructing an investment portfolio. Younger investors may have portfolios that are primarily invested in equities to maximize potential growth if they also have a higher risk tolerance and long investment time horizon. Investors who are retired or near retirement are often less able to withstand losses and may have portfolios that are invested to maximize income and capital preservation*)

- Under 35
- More 35
- More 45
- More 55
- More 65

I check the management expense ration (MER) before purchasing a bond mutual fund....

- always
- sometimes
- do not think it's important
- I forget to do it
- I do not know what is it

Regularly I compare the funds cost and performance against similar funds to see what kind of value I'm getting...

- always
- sometimes
- do not think it's important
- I forget to do it
- I do not know what is it

In making financial and investment decisions you are:

- Very conservative and try to minimize risk and avoid the possibility of any loss (0 points)
- Conservative but willing to accept a small amount of risk (4 points)
- Willing to accept a moderate level of risk and tolerate losses to achieve potentially higher returns (6 points)
- Aggressive and typically take on significant risk and are willing to tolerate large losses for the potential of achieving higher returns (10 points)

When you are faced with a major financial decision, are you more concerned about the possible losses or the possible gains?

- Always the possible losses (0 points)
- Usually the possible losses (3 points)
- Usually the possible gains (6 points)
- Always the possible gains (10 points)

I agree that the success of a mutual fund depends on the portfolio manager's skill at choosing investments....

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

It is important to research management report of fund performance, simplified prospectus and some fund fact

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

If a fund's returns vary a lot from year to year, it may be considered higher risk because its performance can change quickly in either direction.

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

It's important to make sure the fund's goal fits with your investment goals

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

I prefer the higher potential returns with the higher risk rather than less returns with less risks

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

Past performance can't tell me how the fund will perform in the future

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree

High turnover can be a warning sign

- I strongly disagree
- I disagree
- I somewhat agree
- I agree
- I strongly agree