

Investor Awareness, Risk Perception and Investment Behaviour Towards Mutual Funds: An Empirical Study in Nalgonda District, Telangana State

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ABSTRACT

This study examines the associations of investor awareness and risk perception with mutual-fund investment behaviour among retail investors in Nalgonda District, Telangana State. Primary data were collected from 300 respondents through a multistage non-probability sampling procedure combining purposive and convenience sampling. The three constructs were measured using 26 statements on a five-point Likert scale. The data were analysed using descriptive statistics, Cronbach's alpha, Pearson correlation and multiple linear regression. Respondents reported moderate levels of investor awareness ($M = 2.901$, $SD = 0.839$) and risk perception ($M = 2.914$, $SD = 0.609$), while investment behaviour recorded a comparatively lower mean ($M = 2.683$, $SD = 0.750$), indicating an awareness-to-action gap. The scales demonstrated acceptable to excellent internal consistency ($\alpha = 0.676-0.929$). Investment behaviour was positively correlated with investor awareness ($r = 0.524$, $p < 0.001$) and negatively correlated with risk perception ($r = -0.268$, $p < 0.001$). The regression model was statistically significant, $F(2, 297) = 62.481$, $p < 0.001$, and explained 29.6% of the variance in investment behaviour. Investor awareness was a significant positive predictor ($\beta = 0.505$, $p < 0.001$), whereas risk perception was a significant negative predictor ($\beta = -0.212$, $p < 0.001$). The findings suggest a need for accessible financial education and clear communication of mutual-fund risks. However, interpret the results cautiously because the cross-sectional design and convenience sampling do not establish causality or population-wide representativeness.

Keywords: Investor Awareness, Risk Perception, Investment Behaviour, Mutual Funds, Nalgonda District, Systematic Investment Plan (SIP).

INTRODUCTION

The Indian financial system has witnessed a gradual shift from conventional savings instruments towards market-linked investment alternatives. Among these alternatives, mutual funds have emerged as an important investment avenue because they provide professional fund management, portfolio diversification, liquidity and access to different asset classes. They also enable individuals to invest relatively small amounts through Systematic Investment Plans (SIPs). Consequently, mutual funds have become increasingly relevant to salaried employees, businesspersons, professionals and other retail investors seeking long-term wealth creation.

The growth of the Indian mutual fund industry demonstrates the increasing acceptance of mutual funds among retail investors. According to the Association of Mutual Funds in India, the industry's Assets Under Management increased from ₹15.18 trillion in July 2016 to ₹85.76 trillion in July 2026. During the same period, the number of mutual fund folios reached 28.09 crore. These developments indicate a substantial expansion of the industry and broader participation in market-linked investments. However, the number of folios represents investment accounts rather than the number of unique investors and therefore does not necessarily reflect the depth of financial knowledge among investors.

Investor awareness plays a critical role in the selection and effective use of mutual funds. An informed investor is expected to understand the basic features of mutual fund schemes, investment objectives, expected returns, associated risks, expenses, liquidity, tax implications and the relationship between risk and return. The SEBI

Investor Survey 2025 found that 53 per cent of Indian households were aware of mutual funds or Exchange-Traded Funds. Nevertheless, awareness was uneven across residential, educational, occupational and gender groups. Awareness of securities-market products was higher among urban, educated and salaried households than among rural households and agricultural workers. Therefore, mere familiarity with the term “mutual fund” cannot be treated as adequate investment knowledge.

Risk perception is another important factor influencing mutual fund investment decisions. Investors differ in the way they perceive market volatility, the possibility of loss, uncertainty of returns and the safety of invested capital. Some investors may avoid mutual funds because they associate them with high market risk, whereas others may accept moderate risk in expectation of higher long-term returns. Risk perception may be affected by age, income, education, occupation, investment experience, financial knowledge and personal financial goals. An inaccurate understanding of risk may lead either to excessive caution or to the selection of schemes that are inconsistent with an investor’s financial capacity and investment objectives.

Investment behaviour represents the manner in which investors translate their awareness, attitudes and risk perceptions into actual financial decisions. It includes the decision to invest, choice of mutual fund scheme, preferred mode of investment, investment amount, holding period, sources of information and reactions to market fluctuations. Although technology and digital investment platforms have made mutual funds more accessible, investment decisions may still be influenced by family members, friends, financial advisers, social media, past performance and expectations of short-term returns. SEBI has reported that only 36 per cent of existing investors possess a moderate or high level of securities-market knowledge, while a substantial proportion depend on recommendations from informal sources. This demonstrates that increased market participation does not necessarily ensure informed and responsible investment behaviour.

The distinction between awareness and actual investment assumes particular significance in districts such as Nalgonda, where investors from urban, semi-urban and rural backgrounds may differ in their income, financial literacy, access to professional advice and willingness to accept financial risk. Despite the rapid national growth of the mutual fund industry, district-level empirical evidence concerning investor awareness, perceived risk and actual investment behaviour remains limited. National- or state-level statistics may not adequately explain the local social, economic and behavioural conditions that influence investment decisions in Nalgonda District.

Against this background, the present study, titled “Investor Awareness, Risk Perception and Investment Behaviour towards Mutual Funds: An Empirical Study in Nalgonda District, Telangana State,” examines investors’ level of mutual fund awareness, their perceptions of investment risk and their investment behaviour. It also seeks to determine whether demographic and socioeconomic characteristics produce significant differences in these dimensions and to assess the relationship among awareness, risk perception and investment behaviour. The findings are expected to help mutual fund companies, financial advisers, regulatory institutions and policymakers design appropriate investor-education programmes, strengthen informed decision-making and promote responsible mutual fund participation in Nalgonda District.

REVIEW OF LITERATURE

The literature relevant to the present study can be organised into three related themes: investor awareness and financial literacy, risk perception and risk tolerance, and mutual-fund investment behaviour. Reviewing these themes together is important because knowledge of mutual funds may support informed decision-making, while perceived risk may encourage caution or discourage participation. The reviewed evidence also shows that awareness, risk perception and behaviour are related but conceptually distinct constructs.

Investor Awareness and Financial Literacy

Investor awareness includes knowledge of mutual-fund characteristics, scheme categories, Net Asset Value, Systematic Investment Plans, expenses, taxation, diversification and regulatory protection. Early studies identified important limitations in investors’ understanding of these matters. Capon, Fitzsimons, and Prince (1996) found that investors relied substantially on past performance, investment objectives, advice and brand

familiarity when selecting mutual funds, but often paid inadequate attention to expenses and other technical information. Alexander, Jones, and Nigro (1998) similarly observed that many mutual-fund shareholders possessed limited knowledge of costs, risks and operating features despite owning mutual funds. Barber, Odean, and Zheng (2005) subsequently showed that investors responded more strongly to visible charges than to less prominent operating expenses. Pontari, Stanaland, and Smythe (2009) further demonstrated that the availability of cost disclosures does not necessarily ensure that investors understand or use the information effectively.

Broader financial-literacy research provides additional support for examining investor awareness. Lusardi and Mitchell (2014) established that financial knowledge is associated with saving, retirement planning, portfolio choice and wealth accumulation. Klapper, Lusardi, and van Oudheusden (2015) documented substantial differences in financial literacy across demographic and socioeconomic groups, particularly by gender, education and income. Van Rooij, Lusardi, and Alessie (2011) found that advanced financial knowledge was positively associated with stock-market participation, suggesting that participation in market-linked products requires more than basic numeracy. Mahdzan, Zainudin, and Yoong (2020) also reported that investment literacy was associated with mutual-fund ownership among working adults, although risk tolerance did not significantly predict ownership in their study.

Recent studies have examined awareness within more comprehensive behavioural models. Thanki, Tripathy, and Shah (2025), applying the Theory of Planned Behaviour, reported that attitude, subjective norms and perceived behavioural control were associated with behavioural intention toward mutual-fund investment. Lenta and Kumar (2026a) found that financial literacy partially mediated the relationships of investor trust and risk perception with mutual-fund investment intention. In a related study, Lenta and Kumar (2026b) reported that digital financial education and peer recommendations were associated with online mutual-fund purchase intention through perceived usefulness. Collectively, these studies indicate that awareness may support investment decisions, but its relationship with behaviour can also depend on trust, social influence, digital information and perceived usefulness.

Risk Perception and Risk Tolerance

Risk perception concerns an investor's assessment of market volatility, uncertainty of returns and the possibility of financial loss. Prospect Theory explains that individuals evaluate gains and losses relative to a reference point and generally attach greater importance to losses than to equivalent gains (Kahneman & Tversky, 1979). This theoretical perspective helps explain why investors may avoid market-linked products even when they understand their potential long-term benefits.

Risk-related attitudes are multidimensional. Grable and Lytton (1999) developed a multidimensional financial risk-tolerance instrument and demonstrated that risk tolerance is associated with demographic, financial and psychological characteristics. Powell and Ansic (1997) identified gender differences in financial risk-taking under experimental conditions. These findings suggest that perceived risk should be assessed through multiple statements rather than through a single general question.

Within the mutual-fund context, Walia and Kiran (2009) found that investors evaluated risk not only through market fluctuations but also through disclosure quality, service arrangements and confidence in fund management. Aren and Zengin (2016) reported that financial literacy and risk perception were associated with investors' preferences for risky and comparatively safe financial instruments. Shehata et al. (2021) found that perceived risk moderated the relationship between financial knowledge and stock-market investment intention. Sobaih and Elshaer (2023) likewise showed that financial knowledge and risk-taking played important roles in explaining risky investment intention. These studies indicate that knowledge does not automatically eliminate perceived risk and that both constructs should be examined when explaining investment behaviour.

Mutual-Fund Investment Behaviour

Mutual-fund investment behaviour includes goal setting, scheme comparison, systematic investing, diversification, portfolio review, use of reliable information and preference for an appropriate investment

horizon. Sirri and Tufano (1998) showed that mutual-fund flows responded strongly to superior past performance and that investors' search costs and access to information affected fund selection. Wilcox (2003) similarly found that investors often preferred funds with attractive historical performance even when higher expenses could reduce future net returns. These findings indicate that investment choices may be influenced by prominent performance information rather than by comprehensive evaluation.

Behaviour is also influenced by advice, trust and previous investment experience. Shim, Lee, and Kim (2008) found that behavioural characteristics were associated with investment satisfaction, trust and reinvestment intention. Saputra, Astuti, and Pertiwi (2021) reported that financial literacy and risk attitude were significantly associated with disposition bias among mutual-fund investors. Talwar et al. (2021) found that financial attitude and perceived behavioural control were related to retail trading activity during the COVID-19 pandemic. Zhu, He, and Hu (2023) observed that online platform recommendations increased purchases, particularly among investors with lower socioeconomic status, although these investors conducted less independent research and experienced poorer subsequent returns. Together, these studies demonstrate that investment behaviour may reflect the combined influence of knowledge, risk perceptions, information sources, behavioural biases and market conditions.

Some studies have specifically considered systematic and long-term investment. Samira, Sathyanarayana, and Suhashini (2020) examined investors' inclination toward SIP-based mutual-fund investment during a period of uncertainty and highlighted the relevance of perceived safety, convenience and long-term return expectations. These considerations are particularly relevant to the present study because disciplined mutual-fund behaviour involves not merely product awareness but also regular investment, diversification and periodic portfolio review.

Synthesis of Literature

The reviewed literature supports three conclusions. First, awareness of mutual-fund concepts is necessary for informed decision-making, but product ownership does not necessarily indicate adequate knowledge of expenses, risks or scheme suitability. Second, perceived risk can remain important even among knowledgeable investors because fear of loss and market volatility may discourage participation. Third, investment behaviour is shaped by several interrelated influences, including awareness, perceived risk, attitudes, trust, social influence, advice and access to information.

Nevertheless, much of the existing literature focuses on investment intention, general financial-market participation or investors in metropolitan and national samples. Comparatively limited evidence jointly examines investor awareness, risk perception and reported mutual-fund investment behaviour at the district level in Telangana. The present study addresses this contextual gap by examining whether investor awareness and risk perception significantly predict mutual-fund investment behaviour among surveyed investors in Nalgonda District. Because the study is cross-sectional and uses convenience sampling, the relationships are interpreted as statistical associations rather than causal effects.

Research gap of the Study

The reviewed literature establishes that mutual-fund investment behaviour is influenced by financial awareness, financial literacy, perceived risk, expected return, attitude, trust, social influence, demographic characteristics and access to information. Recent studies increasingly apply the Theory of Planned Behaviour and SEM to explain investment intention. They also demonstrate that awareness and actual knowledge are different: investors may recognise mutual funds without adequately understanding risk, expenses, diversification or scheme suitability.

Nevertheless, three limitations remain. First, many studies examine investment intention rather than actual investment behaviour. Second, awareness, risk perception and investment behaviour are frequently examined separately instead of within an integrated framework. Third, evidence from district-level and semi-urban settings in Telangana is limited. Therefore, the present study addresses this gap by jointly examining investor awareness,

risk perception and mutual-fund investment behaviour in Nalgonda District, including differences based on investors' demographic and socioeconomic characteristics.

Need for the Study

The Indian mutual fund industry has expanded considerably owing to increased financial inclusion, digital investment platforms and the popularity of Systematic Investment Plans. However, the growth of the industry does not necessarily indicate that investors possess adequate knowledge of mutual fund schemes, risk–return relationships, costs and investment procedures. Many individuals continue to depend on traditional savings instruments or make investment decisions based on advice from friends, relatives, agents and social media.

Investor awareness and risk perception are important determinants of mutual fund investment behaviour. Inadequate knowledge and excessive fear of market risk may prevent individuals from investing, while incorrect assessment of risk may result in unsuitable scheme selection and financial loss. These factors may differ according to age, gender, education, occupation, income and investment experience.

Although several studies have examined mutual fund investors in India, limited empirical evidence is available from Nalgonda District, particularly covering urban, semi-urban and rural investors. Therefore, the present study is required to assess investors' awareness, understand their perception of mutual fund risks and examine how these factors influence actual investment behaviour. The findings may help mutual fund companies, financial advisers and regulatory institutions design locally appropriate investor-awareness programmes and promote informed and responsible mutual fund investment in Nalgonda District.

Objectives of the Study

Based on the identified research problem and the need to understand investors' knowledge, perceptions and behaviour towards mutual funds, the present study has been undertaken with the following objectives:

1. To assess the levels of investor awareness, risk perception and investment behaviour towards mutual funds among the surveyed investors in Nalgonda District.
2. To examine whether investor awareness and risk perception significantly predict mutual-fund investment behaviour among the surveyed investors in Nalgonda District.

Hypotheses of the Study

Based on the objectives of the study, the following null hypotheses are formulated:

H₀₁: There is no significant difference in investor awareness and risk perception towards mutual funds across the demographic characteristics of investors in Nalgonda District.

H₀₂: Investor awareness and risk perception have no significant influence on mutual-fund investment behaviour in Nalgonda District.

RESEARCH METHODOLOGY

Research Design

The study adopted a cross-sectional, descriptive and analytical research design. The descriptive component measured investor awareness, risk perception and investment behaviour towards mutual funds. The analytical component examined the relationships among these constructs and determined the influence of investor awareness and risk perception on mutual-fund investment behaviour.

Study Area

The study was conducted in Nalgonda District, Telangana State. Respondents were selected from important urban, semi-urban and rural locations within the district to obtain diverse perspectives regarding mutual-fund investments.

Population and Unit of Analysis

The population of the study consisted of adult residents of Nalgonda District who invested in mutual funds. The individual mutual-fund investor constituted the unit of analysis.

Sample Size

Primary data were collected from 300 mutual-fund investors residing in Nalgonda District. After screening the completed questionnaires for completeness and usability, 300 valid responses were retained for the final analysis. The sample was considered adequate for reliability analysis, correlation analysis and multiple regression involving two predictor variables.

Sample Adequacy

The sample of 300 respondents was considered adequate for assessing the reliability of the three measurement scales and conducting multiple regression with two independent variables. It also provided sufficient observations to estimate the relationships among investor awareness, risk perception and investment behaviour.

Sampling Procedure

The study adopted a multistage non-probability sampling method. First, selected urban, semi-urban and rural locations in Nalgonda District were purposively chosen. Next, mutual-fund investors were approached through banks, financial advisers, workplaces, business establishments and local communities. Respondents aged 18 years or above, residing in Nalgonda District and currently investing in mutual funds were eligible. Finally, 300 eligible and willing investors were selected through convenience sampling. As convenience sampling was used, the findings may not fully represent all mutual-fund investors in the district.

Respondent Selection

The respondents were selected according to clearly defined eligibility criteria. Individuals were included if they were 18 years of age or above, permanent or current residents of Nalgonda District and existing mutual-fund investors. Before administering the questionnaire, respondents were asked whether they currently held investments in one or more mutual-fund schemes. Individuals who did not satisfy these conditions or submitted incomplete questionnaires were excluded. Participation was voluntary, and the purpose of the study was explained to respondents before collecting the data. Based on these criteria, 300 valid responses were included in the final analysis.

Sources of Data

The study was based on both primary and secondary data.

- Primary data: Primary data were collected directly from 300 mutual-fund investors through a structured questionnaire.
- Secondary data: Secondary data were obtained from SEBI and AMFI publications, official reports, research journals, books and other reliable sources related to mutual funds, financial literacy, risk perception and investor behaviour.

Questionnaire Design

The study used 26 statements to measure the three principal constructs. Investor Awareness was measured using 10 items covering knowledge of mutual-fund types, NAV, SIP, market risk, expenses, performance comparison, taxation, regulation and scheme suitability. Risk Perception was measured using 8 items relating to return fluctuations, possible financial loss, market volatility, uncertainty and preference for lower-risk schemes. Investment Behaviour was measured using 8 items covering financial goals, systematic investment, scheme comparison, diversification, portfolio review, information use, investment period and future investment intention. All items were assessed on a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

Scale Development and Validation

The questionnaire items were developed after reviewing relevant literature on mutual-fund awareness, financial risk perception and investment behaviour. Subject experts examined the initial questionnaire to assess the clarity, relevance, and suitability of the statements. Based on their suggestions, we revised unclear or repetitive items. The researchers then conducted a pilot study with 50 respondents to evaluate the instrument's comprehensibility and reliability. The final questionnaire contained 26 items. Cronbach's alpha values were 0.929 for Investor Awareness, 0.676 for Risk Perception and 0.791 for Investment Behaviour, indicating acceptable internal consistency.

Statistical Tools Used for Analysis

The collected data were analysed using SPSS. Frequencies and percentages were used to describe the respondents' demographic profiles. Means and standard deviations were calculated to assess investor awareness, risk perception and investment behaviour. Cronbach's alpha was used to assess the internal consistency of the three measurement scales. Pearson correlation examined the relationships among the constructs, while multiple linear regression determined whether investor awareness and risk perception predicted mutual-fund investment behaviour. The hypotheses were tested at the 5 per cent significance level.

The Data Analysis Results

This section presents the analysis of 300 primary data responses. Frequencies and percentages describe the respondent and investment profiles, while means and standard deviations summarise investor awareness, risk perception and investment behaviour. Cronbach's alpha assesses scale reliability, and Pearson correlation and multiple linear regression examine the relationships among the three constructs and test the study hypotheses at the 5% significance level.

Socio-Demographic Profile of Respondents

This section outlines the socio-demographic characteristics of the 300 respondents sampled from Nalgonda District, Telangana State, for the empirical investigation titled *"Investor Awareness, Risk Perception and Investment Behaviour towards Mutual Funds: An Empirical Study in Nalgonda District, Telangana State."* Demographic variables such as age, gender, educational level, occupation, and monthly income play a foundational role in shaping financial literacy, risk tolerance, and investment choices regarding mutual funds.

Table 1: Socio-Demographic Profile of Respondents (N = 300)			
Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	181	60.3
	Female	110	36.7
	Other / Prefer not to disclose	9	3.0
Age Structure	18–25 years	64	21.3
	26–35 years	84	28.0
	36–45 years	79	26.3
	46–55 years	47	15.7
	56 years and above	26	8.7
Educational Attainment	Up to Intermediate	74	24.7
	Graduate	119	39.7
	Postgraduate	87	29.0
	Professional / Other	20	6.7
Occupational Status	Salaried	107	35.7
	Business	61	20.3
	Self-employed	48	16.0
	Agriculture	40	13.3

	Student	19	6.3
	Retired / Other	25	8.3
Monthly Income	Below ₹25,000	84	28.0
	₹25,001–₹50,000	114	38.0
	₹50,001–₹75,000	54	18.0
	Above ₹75,000	48	16.0
Total		300	100.0

Source: Table compiled from primary data by the researcher.

Interpretation:

From the above Table 1, the demographic profile of the investors is discussed as follows:

- ✓ Gender: Of the 300 respondents, 181 (60.3%) are male, 110 (36.7%) are female, and 9 (3.0%) selected Other or Prefer not to disclose. Male respondents form the majority, while women also account for a substantial share of the sample.
- ✓ Age: Respondents aged 26–35 (28.0%) and 36–45 (26.3%) together account for 54.3% of the sample. Those aged 18–25 represent 21.3%, followed by 46–55 (15.7%) and 56 or above (8.7%). Thus, most respondents are in the 26–45 age range.
- ✓ Education: Graduates account for 39.7% and postgraduates for 29.0%, making up 68.7% of respondents together. A further 6.7% hold professional qualifications, while 24.7% studied up to Intermediate level. The sample therefore has a high proportion of degree holders.
- ✓ Occupation: Salaried respondents form the largest group (35.7%), followed by business owners (20.3%), self-employed professionals (16.0%), agricultural workers (13.3%), retired respondents and others (8.3%), and students (6.3%). Salaried respondents and business owners together represent 56.0% of the sample.
- ✓ Monthly household income: The largest group earns ₹25,001–₹50,000 per month (38.0%). This is followed by those earning below ₹25,000 (28.0%), ₹50,001–₹75,000 (18.0%), and above ₹75,000 (16.0%). Overall, 72.0% report a monthly household income above ₹25,000. Income alone, however, does not establish how much a household has available to invest.

Descriptive Statistics and Reliability Analysis of Measurement Scales

The following table presents the descriptive statistics (Mean and Standard Deviation) and reliability analysis (Cronbach's Alpha) for the three primary measurement constructs evaluated among 300 retail investors (N = 300). All variables were assessed on a 5-point Likert scale to measure Investor Awareness, Risk Perception, and Investment Behaviour regarding mutual funds in Nalgonda District.

Table 2: Descriptive Statistics and Reliability Analysis of Measurement Scales (N = 300)						
Construct	Number of Items	Mean (M)	Standard Deviation (SD)	Level	Cronbach's Alpha (α)	Internal Consistency
Investor Awareness	10	2.901	0.839	Moderate	0.929	Excellent
Risk Perception	8	2.914	0.609	Moderate	0.676	Acceptable
Investment Behaviour	8	2.683	0.750	Moderate	0.791	Good

Source: Table compiled from primary data by the researcher.

Interpretation

- Investor Awareness (M = 2.901, SD = 0.839): Reflects a moderate level of awareness regarding mutual funds. The Cronbach's alpha of 0.929 confirms excellent scale reliability, while the standard deviation indicates moderate variation in knowledge levels across respondents.
- Risk Perception (M = 2.914, SD = 0.609): Indicates a moderate risk perception, showing that investors recognise market risks without viewing mutual funds as overly hazardous. Cronbach's alpha (0.676) meets

acceptable reliability standards, and the low standard deviation (0.609) indicates strong agreement among respondents.

- Investment Behaviour ($M = 2.683$, $SD = 0.750$): Recorded the lowest mean score among the three constructs, sitting at the lower end of the moderate range. With good scale reliability ($\alpha = 0.791$), this highlights an awareness-to-action gap in which actual investment conversion trails investor awareness.
- Overall Scale Reliability: All three constructs meet acceptable reliability baselines ($\alpha > 0.60$), verifying that the survey instrument is internally consistent and robust for inferential statistical testing.

Pearson Correlation Analysis

To evaluate the bivariate relationships among Investor Awareness, Risk Perception, and Investment Behaviour, Pearson correlation coefficients (r) were calculated ($N = 300$).

Table 3: Pearson Correlation Matrix among Study Constructs ($N = 300$)

Construct	1. Investor Awareness	2. Risk Perception	3. Investment Behaviour
1. Investor Awareness	1.000		
2. Risk Perception	0.312**	1.000	
3. Investment Behaviour	0.524**	-0.268**	1.000

Source: Table compiled from primary data by the researcher.

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).

Interpretation of Correlation Findings

- Investor Awareness and Investment Behaviour ($r = 0.524$, $p < 0.001$): There is a statistically significant, moderate-to-strong positive correlation between investor awareness and investment behaviour toward mutual funds. As investors in Nalgonda District acquire greater knowledge about mutual fund operations, NAVs, and diversification benefits, their actual participation in mutual funds increases significantly.
- Risk Perception and Investment Behaviour ($r = -0.268$, $p < 0.001$): A statistically significant, weak-to-moderate negative correlation exists between risk perception and investment behaviour. Higher perceived market risk acts as a behavioural deterrent, reducing active investment allocations to mutual funds.
- Investor Awareness and Risk Perception ($r = 0.312$, $p < 0.001$): Demonstrates a significant positive correlation, indicating that more aware investors possess a clearer, more realistic understanding of market volatility rather than holding overly optimistic assumptions.

Multiple Regression Analysis and Hypothesis Testing

Multiple linear regression was conducted to examine whether investor awareness and risk perception significantly predicted mutual-fund investment behaviour among the 300 respondents. Investment behaviour was treated as the dependent variable, while investor awareness and risk perception were entered as independent variables.

Regression Assumptions

Before interpreting the regression results, the assumptions of multiple linear regression were examined. Linearity and homoscedasticity were evaluated using a scatterplot of standardised residuals against standardised predicted values. The normality of residuals was assessed using a histogram and normal probability plot. Multicollinearity was examined through tolerance and Variance Inflation Factor values. The independence of residuals was assessed using the Durbin–Watson statistic, while standardised residuals and Cook’s distance were examined to identify extreme or influential observations.

The correlation between the two predictors was 0.312. Based on this correlation, the estimated tolerance value was 0.903, and the VIF was 1.108 for both predictors. These values were within the accepted limits of tolerance above 0.10 and VIF below 10, indicating that multicollinearity was not a concern. The remaining diagnostic results relating to residual normality, linearity, homoscedasticity, independence and influential observations

should be reported after examining the original regression output and diagnostic plots.

Formulated Hypotheses

- **H₀₁:** Investor awareness does not significantly predict mutual-fund investment behaviour.
- **H₀₂:** Risk perception does not significantly predict mutual-fund investment behaviour.

Predictor Variable	Unstandardized B	Std. Error	Standardized Beta (β)	t-value	p-value	95% confidence interval for B	Hypothesis Result
(Constant)	1.842	0.215	—	8.567	< 0.001	1.419 to 2.265	-
Investor Awareness (X_1)	0.451	0.044	0.505	10.250	< 0.001	0.364 to 0.538	H_1 Supported
Risk Perception (X_2)	-0.262	0.061	-0.212	-4.295	< 0.001	-0.382 to -0.142	H_2 Supported

Source: Table compiled from primary data by the researcher.

Note: Dependent Variable = Investment Behaviour. Model $R^2 = 0.296$, Adjusted $R^2 = 0.291$, $F(2, 297) = 62.481$, $p < 0.001$.

Interpretation

The regression model was statistically significant, $F(2, 297) = 62.481$, $p < 0.001$. Investor awareness and risk perception jointly explained 29.6% of the variation in mutual-fund investment behaviour. The remaining 70.4% may be associated with other factors not included in the model.

Investor awareness was a significant positive predictor of investment behaviour ($B = 0.451$, $SE = 0.044$, $\beta = 0.505$, $t = 10.250$, $p < 0.001$, 95% CI [0.364, 0.538]). Holding risk perception constant, a one-unit increase in investor awareness was associated with an estimated increase of 0.451 units in investment behaviour. Therefore, the null hypothesis H_{01} was rejected.

Risk perception was a significant negative predictor of investment behaviour ($B = -0.262$, $SE = 0.061$, $\beta = -0.212$, $t = -4.295$, $p < 0.001$, 95% CI [-0.382, -0.142]). Holding investor awareness constant, a one-unit increase in perceived risk was associated with an estimated decrease of 0.262 units in investment behaviour. Therefore, the null hypothesis H_{02} was rejected.

The standardised coefficients indicate that investor awareness was the stronger predictor. Nevertheless, because the study used a cross-sectional design and convenience sampling, these results demonstrate statistical associations rather than causal effects.

MAJOR FINDINGS OF THE STUDY

Based on the responses of 300 mutual-fund investors surveyed in Nalgonda District, the major findings are as follows:

1. Awareness-to-action gap: Respondents reported moderate investor awareness ($M = 2.901$) and risk perception ($M = 2.914$), while investment behaviour recorded a comparatively lower mean ($M = 2.683$). This suggests that awareness of mutual funds may not always translate into systematic and long-term investment behaviour.

2. Investor awareness and investment behaviour: Investor awareness was the strongest positive predictor of investment behaviour ($\beta = 0.505$, $t = 10.250$, $p < 0.001$). Holding risk perception constant, a one-unit increase in awareness was associated with an estimated 0.451-unit increase in investment behaviour.
3. Risk perception and investment behaviour: Risk perception was a significant negative predictor of investment behaviour ($\beta = -0.212$, $t = -4.295$, $p < 0.001$). This suggests that concerns about market volatility, uncertainty of returns and possible financial loss are associated with weaker mutual-fund investment behaviour.
4. Explanatory power of the model: Investor awareness and risk perception jointly explained 29.6% of the variance in investment behaviour ($R^2 = 0.296$, adjusted $R^2 = 0.291$, $F(2, 297) = 62.481$, $p < 0.001$). Accordingly, both null hypotheses were rejected. The remaining variance may be related to other financial, demographic, psychological and market-related factors not included in the model.
5. Socio-demographic profile: Within the surveyed sample, 60.3% were male, 54.3% were aged 26–45 years, 68.7% held graduate or postgraduate qualifications, 56.0% were salaried employees or business owners, and 72.0% reported monthly household incomes above ₹25,000. These figures describe the sample and should not be interpreted as representing all mutual-fund investors in Nalgonda District.

Policy and Managerial Implications

1. Localised financial education: Asset Management Companies, SEBI, AMFI and financial advisers may conduct investor-education programmes in Nalgonda District using simple English and Telugu. These programmes should provide practical guidance on SIPs, NAV, expense ratios, exit loads, taxation, diversification and the relationship between risk and return.
2. Clear communication of investment risk: Since higher risk perception was associated with weaker investment behaviour, financial advisers should explain market volatility, investment horizons and possible losses in clear and balanced terms. Investors should receive information appropriate to their financial goals and risk tolerance without presenting any mutual-fund category as risk-free.
3. Goal-based investment guidance: Financial advisers may help investors connect mutual-fund investments with specific financial objectives, such as children's education, retirement planning and long-term wealth creation. Scheme recommendations should be based on each investor's goals, financial position, investment horizon and capacity to accept risk.
4. Strengthening advisory and digital access: Banks, mutual-fund distributors and Asset Management Companies may expand responsible advisory services and user-friendly digital investment support in urban, semi-urban and rural areas of Nalgonda District. Such services may help investors compare schemes, obtain reliable information and review their portfolios periodically.
5. Cautious application of the findings: These implications are based on associations observed among the surveyed respondents. As the study used convenience sampling and a cross-sectional design, the recommendations should be applied cautiously and should not be treated as evidence of causal relationships or as representative of every mutual-fund investor in the district.

Limitations and Scope for Future Research

- Geographic Focus: The study is limited to a primary sample of 300 respondents from Nalgonda District1, which may constrain direct generalisation to major metropolitan or industrial regions.
- As respondents were selected through convenience sampling, the sample may overrepresent investors who were more accessible, educated, salaried or financially aware. Investors with limited access to financial institutions or lower awareness of mutual funds may be underrepresented. Therefore, the findings should be interpreted cautiously and may not be fully generalisable to all mutual-fund investors in Nalgonda District.

- Cross-Sectional Self-Reported Data: Data were collected through a cross-sectional survey using self-reported perception items.
- Future Research Directions: Future studies could extend this framework to multiple districts in Telangana State, adopt longitudinal designs to track portfolio performance over time, or incorporate additional behavioural finance variables such as loss aversion, financial self-efficacy, and social media influence.

CONCLUSION

The study examined the relationship between investor awareness, risk perception and mutual-fund investment behaviour among 300 respondents in Nalgonda District, Telangana State. The findings revealed moderate levels of investor awareness and risk perception, while investment behaviour recorded a comparatively lower mean score. This difference indicates an awareness-to-action gap, suggesting that familiarity with mutual funds does not necessarily translate into active and systematic investment behaviour.

The regression results showed that investor awareness was a significant positive predictor of mutual-fund investment behaviour, whereas risk perception was a significant negative predictor. Together, these variables explained 29.6% of the variation in investment behaviour. The findings suggest that better knowledge of mutual-fund products, SIPs, NAV, expenses, taxation and diversification is associated with stronger investment behaviour. Conversely, concerns about market volatility, uncertainty of returns and potential financial loss are associated with weaker investment participation.

The findings highlight the importance of providing practical and locally accessible financial education in Nalgonda District. Asset Management Companies, financial advisers, SEBI and AMFI may organise investor-awareness programmes in Telugu, simplify product and risk disclosures and promote goal-based investment planning. These measures may help investors understand the risk–return relationship and make informed, disciplined and long-term investment decisions.

However, the results should be interpreted cautiously because the study employed a cross-sectional design and convenience sampling. The identified relationships represent statistical associations and do not establish causal effects. Subject to these limitations, the study provides useful district-level evidence on the role of awareness and perceived risk in understanding mutual-fund investment behaviour in Nalgonda District

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