

Investors' Perception Towards Mutual Funds in Sangareddy: An Empirical Study

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Abstract

This study examines investors' perception towards mutual funds in Sangareddy using primary data collected through a structured questionnaire from 106 respondents selected through convenience sampling. The analysis combines descriptive statistics, percentage analysis, weighted mean scores, standard deviation, chi-square test, Pearson correlation, Kolmogorov–Smirnov test and factor analysis. The respondent profile is predominantly young (79.2% aged 18–25 years) and male (68.9%). Mutual-fund participation stands at 54.7%, while 67.0% of respondents exhibit low risk tolerance. Satisfaction is generally favourable, with 64.2% satisfied or strongly satisfied and a weighted mean satisfaction score of 3.87 on a five-point scale. The study records $\chi^2 = 3.21$ ($p = 0.072$), while $r = 0.64$ indicates a moderate positive association between the relevant perception measures and investment behaviour. The Kolmogorov–Smirnov result ($p = 0.087$) supports the distributional assumption adopted for the analysis. Factor analysis identifies return, risk and safety as the principal dimensions shaping investor perception. The findings highlight a favourable yet cautious investor orientation and underline the importance of suitability-based investor education, transparent communication and risk profiling.

Keywords: *mutual funds; investor perception; financial awareness; risk tolerance; investment decision; Sangareddy; investor satisfaction; factor analysis; financial literacy*

1. Introduction

Mutual funds provide a mechanism through which investors pool resources and obtain professionally managed, diversified exposure to financial assets. SEBI explains that mutual funds invest pooled resources according to disclosed objectives and that diversification, disclosure and regulation are intended to support informed investment decisions.

Investor perception is multidimensional. Expected return, perceived risk, safety, liquidity, transparency, service quality, financial knowledge and confidence can influence whether awareness becomes actual participation. The study identifies awareness, perception, risk perception, satisfaction and investment preferences as central dimensions.

The Sangareddy context is relevant because the study identifies continued reliance on traditional avenues such as gold and fixed deposits alongside growing interest in mutual funds. The local research question is therefore whether awareness translates into participation, what level of risk investors accept, and which factors shape their perceptions.

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1.1 Statement of the Research Problem

The central problem is an awareness–participation gap. The Study reports that slightly more than half of respondents had invested, while a substantial minority had not, despite mutual funds being a recognised investment avenue. At the same time, the sample is strongly risk-averse. The study therefore examines whether awareness and favourable perception are sufficient for participation when risk tolerance, satisfaction and investment preferences are considered.

1.2 Significance of the Study

The study is significant academically because it provides locality-specific evidence from Sangareddy, where national findings cannot automatically be assumed to represent local investors. It is significant empirically because it connects awareness with actual participation, risk tolerance, satisfaction and investment-decision factors. It is significant for mutual-fund providers because the reported sample is predominantly young but cautious, requiring suitability-based communication rather than return-focused promotion. It is significant for investor-education agencies because it highlights the need to convert familiarity into informed participation through risk education, transparency and accessible digital services.

2. Review of Literature

The research gap is geographical and analytical. Geographically, the cited literature covers Delhi-NCR, national Indian contexts and other locations, but the supplied literature does not provide a focused empirical study of investor perception towards mutual funds in Sangareddy. Analytically, existing studies frequently examine awareness, demographic factors, risk tolerance or preferences separately. The present study integrates these dimensions around the local awareness-to-participation question.

Together, they provide the empirical and conceptual basis for examining awareness, risk tolerance, perception and investment participation in the present context.

2.1 Awareness and Perception

The literature is organised around awareness and perception, demographic and behavioural influences, decision factors, and investor education. This structure directly supports the objectives and identifies the gap addressed by the Sangareddy study.

The review of literature examines the major themes relevant to investors' perception towards mutual funds, including awareness and perception, demographic and behavioural influences, risk tolerance, decision-making factors, and investor education. The discussion provides the conceptual foundation for the empirical analysis.

2.2 Demographics, Risk Tolerance and Decision Making

Ajith Kumar et al. (2023) examined investor behaviour towards Indian mutual funds using survey-based empirical methods and tools including percentages, chi-square, ANOVA and non-parametric analysis. Their findings emphasised demographic and behavioural influences on investment decisions.

Sumathy and Das (2022) examined mutual-fund investor awareness and explicitly considered income, education, age and risk tolerance. Their use of factor analysis is particularly relevant to the present study because both studies seek to identify underlying dimensions of mutual-fund decision making.

Dhall et al. (2021) studied awareness and perception among 105 respondents in Delhi-NCR and identified tax benefits, security, liquidity, return and reliability as important reasons for mutual-fund preference. They also reported significant relationships between selected demographic characteristics and perceptions. This establishes that investor perception is connected to both product attributes and investor characteristics.

2.3 Return, Risk, Safety and Underlying Decision Factors

This is directly relevant to the present study because 67.0% of respondents are reported to have low risk tolerance. A conservative risk profile may prevent awareness from becoming investment participation even when mutual funds are viewed favourably.

2.4 Investor Education, Transparency and Digital Access

The reviewed literature and the present study repeatedly identify return, risk, safety, liquidity, tax benefits, transparency and credibility as relevant considerations. The study reports three factor dimensions associated with return, risk and safety, which is conceptually consistent with the factor-analytic orientation of Sumathy and Das (2022).

2.5 Key Insights from Previous Studies

SEBI's investor-education resources cover mutual-fund types, NAV, SIPs, diversification, risk and how to compare schemes. SEBI also emphasises transparency through disclosure of objectives, portfolios and NAV. AMFI maintains continuing investor-awareness programmes. These institutional priorities support the present study's emphasis on informed participation rather than mere product familiarity.

2.6 Research Gap

The literature indicates that mutual-fund decisions are multidimensional; awareness and financial knowledge can influence participation; demographic and behavioural variables can shape preferences; and investor education and transparency are necessary for informed decision making.

3. Objectives of Study

- O1. Assess the level of mutual-fund awareness.
- O2. Analyse perceptions (risk, return, safety, liquidity, satisfaction).
- O3. Identify principal decision-making factors.
- O4. Examine preferences regarding mutual funds and alternatives.
- O5. Examine the relationship between demographics and investment behaviour.

4. Research Methodology

4.1 Research Design

The study adopts a descriptive, cross-sectional survey design. The unit of analysis is the individual respondent in Sangareddy, who is an existing mutual-fund investor or a potential investor interested in financial investment options.

4.2 Sampling and Sample Size

The study adopts a non-probability convenience sampling method. A total of 106 valid respondents constitute the analytical sample, and $N = 106$ is used as the common denominator throughout the analysis.

4.3 Data Collection

Primary data were collected through a structured questionnaire during December 2024. The questionnaire covered demographics, investment participation, duration, information sources, investment modes, reactions to losses, risk tolerance, expected returns, preferred schemes, satisfaction and disclosure-related perceptions. Secondary information was obtained from books, journals, websites, financial publications and institutional/regulatory reports.

4.4 Statistical Integrity

The statistical analysis is based on $N = 106$. Descriptive and inferential procedures include percentage analysis, weighted mean and standard deviation for ordinal response patterns, chi-square test for the tested categorical relationship, Pearson correlation for the association between the relevant perception measures and investment behaviour, Kolmogorov–Smirnov test for the distributional assessment, and factor analysis for identifying the principal decision-making dimensions.

5. Results and Analysis

5.1 Demographic Profile

Variable	Category	n	%
Gender	Male	73	68.9
	Female	33	31.1
Age	18–25	84	79.2
	26–35	15	14.2
	36–45	6	5.7
	Others	1	0.9

Source: Field Survey

Interpretation: The demographic profile shows that the study is predominantly represented by younger respondents, particularly those aged 18–25 years, and by male respondents. This pattern suggests that mutual-fund awareness and interest are especially visible among younger sections of the sampled population. However, the demographic composition should be interpreted as a description of the study sample. The findings support the study's broader conclusion that mutual-fund participation in Sangareddy is emerging among younger investors, but participation is accompanied by a cautious approach to investment risk.

The sample is strongly youth-oriented and male-dominated. Because sampling is by convenience, this profile describes the respondents rather than the Sangareddy population.

5.2 Investment Participation and Risk Tolerance

Indicator	Reported distribution	Interpretation
Mutual-fund investment	Yes: 58 (54.7%); No: 48 (45.3%)	Participation exceeds half of the sample ($N = 106$)
Risk tolerance	Low: 71 (67.0%); Moderate: 21 (19.8%); High: 14 (13.2%)	Predominantly conservative risk orientation

Interpretation: Mutual-fund participation is slightly above half of the total sample, indicating that mutual funds have gained meaningful acceptance among the respondents. At the same time, the substantial non-investor group demonstrates that awareness or familiarity does not automatically result in investment participation. The dominance of low risk tolerance further confirms a cautious investor orientation. This finding directly supports the conclusion that investor education should emphasis risk suitability, diversification and informed decision making rather than merely encouraging greater participation.

Among the 106 respondents, 58 (54.7%) participate in mutual-fund investment and 48 (45.3%) do not. Risk tolerance is predominantly low, accounting for 71 respondents (67.0%), followed by moderate risk tolerance among 21 respondents (19.8%) and high risk tolerance among 14 respondents (13.2%). The weighted mean risk-tolerance score is 1.46 on a three-point scale ($SD = 0.72$), confirming the overall conservative orientation of the sample.

5.3 Satisfaction

Level	n	%
Strongly satisfied	39	36.8
Satisfied	29	27.4
Neutral	28	26.4
Dissatisfied	5	4.7
Highly dissatisfied	5	4.7

Source: Field Survey

Satisfaction is generally favourable. Of the 106 respondents, 39 (36.8%) are strongly satisfied and 29 (27.4%) are satisfied, producing a combined favourable satisfaction level of 64.2%. Neutral responses account for 26.4%, while dissatisfied and highly dissatisfied responses together account for 9.4%. On a five-point satisfaction scale, the weighted mean score is 3.87 (SD = 1.11), indicating an overall positive perception of mutual-fund experience among the respondents.

5.4 Hypothesis and Multivariate Evidence

Analysis	Statistic	Reported conclusion
Chi-square	$\chi^2 = 3.21$; $p = .072$; $N = 106$	No statistically significant association at the 5% level for the tested relationship
Correlation	$r = .64$; $N = 106$	Moderate positive association
Kolmogorov–Smirnov	$p = .087$; $N = 106$	Supports the distributional assumption adopted in the analysis
Factor analysis	Three principal factors; $N = 106$	Return, risk and safety identified as principal decision dimensions

Interpretation: The satisfaction pattern is broadly favourable, with nearly two-thirds of respondents reporting satisfaction or strong satisfaction. The weighted mean score also indicates a positive overall perception of mutual-fund experience. Nevertheless, the presence of neutral and dissatisfied respondents suggests scope for improvement in communication, service quality and investor support. This finding aligns with the study's conclusion that transparent information and suitability-based guidance are important for strengthening informed and sustainable investor participation.

The chi-square result does not support a statistically significant association at the 5% level. The correlation indicates association, not causation. The factor-analysis result is source-reported and cannot be independently validated because essential diagnostics are absent.

5.5 Additional Statistical Summary

Additional descriptive measures provide a consolidated statistical profile of the principal response patterns for $N = 106$.

Measure	Statistic	Value	Interpretation
Mutual-fund participation	Percentage	54.7% (58/106)	Participation is slightly above half of the sample.
Positive satisfaction	Percentage	64.2% (68/106)	Overall satisfaction is favourable.

Satisfaction	Weighted mean $\pm$ SD	3.87 ± 1.11 (5-point scale)	Positive average satisfaction level.
Low risk tolerance	Percentage	67.0% (71/106)	Conservative risk orientation dominates.
Risk tolerance	Mean $\pm$ SD	1.46 ± 0.72 (3-point scale)	Overall risk preference remains low.
Tested association	Chi-square	$\chi^2 = 3.21$; $p = .072$	Not significant at the 5% level.
Perception–behaviour association	Pearson correlation	$r = .64$	Moderate positive association.
Distributional assessment	Kolmogorov–Smirnov	$p = .087$	Supports the adopted distributional assumption.

Interpretation: The statistical evidence presents a multidimensional view of investor behaviour. The chi-square result does not establish a statistically significant association at the 5% level for the relationship tested, whereas the correlation result indicates a moderate positive association between the relevant perception measures and investment behaviour. The Kolmogorov–Smirnov result supports the distributional assumption adopted for the analysis. Factor analysis identifies return, risk and safety as the principal decision dimensions. Collectively, these results support the conclusion that mutual-fund decisions cannot be explained by a single demographic or behavioural factor and require an integrated understanding of perception, risk and expected outcomes.

6. Findings

The findings reveal a generally favourable but cautious mutual-fund orientation. The respondent profile is strongly concentrated among younger investors, yet the dominant risk preference remains conservative. This indicates that younger participation in mutual funds should not automatically be equated with a willingness to accept high volatility.

Mutual-fund participation is 54.7%, leaving 45.3% of the respondents outside the investment category. The pattern indicates that awareness and favourable perception do not automatically translate into investment participation, and that risk considerations and other behavioural factors remain important in investment decisions.

The low-risk orientation has direct implications for investor education. SEBI's educational resources emphasis risk, diversification, scheme selection and matching investments with investor needs. The practical implication is that investor education in Sangareddy should explain suitability and volatility rather than simply encourage investment.

The satisfaction pattern is favourable, with a weighted mean score of 3.87 on a five-point scale and 64.2% of respondents reporting satisfaction or strong satisfaction. The correlation coefficient of 0.64 further indicates a meaningful positive association between the relevant perception measures and investment behaviour, although association should not be interpreted as causation.

The chi-square result is not statistically significant at the 5% level ($\chi^2 = 3.21$, $p = 0.072$), indicating that the specific relationship tested does not show sufficient statistical evidence of association. The result should be interpreted in conjunction with the descriptive patterns, correlation evidence and the multidimensional factors identified through factor analysis.

6.1 Study Objectives, Tools Employed and Findings Compatibility Table

The following chart aligns the research objectives with the specific tools employed and the corresponding findings to ensure comprehensive coverage.

Research Objective	Analytical Tool / Evidence	Key Empirical Findings / Output
O1. Assess the level of mutual-fund awareness.	Frequencies and percentages.	Investment participation is 54.7% (58 of 106), indicating that awareness does not translate into universal participation.
O2. Analysis perceptions (risk, return, safety, liquidity, satisfaction).	Percentages, weighted mean, standard deviation and correlation.	Satisfaction is generally favourable (64.2% positive); weighted mean satisfaction score = 3.87/5; $r = .64$ indicates a moderate positive association.
O3. Identify principal decision-making factors.	Factor analysis.	Return, risk and safety emerge as the three principal dimensions of investor decision making.
O4. Examine preferences regarding mutual funds and alternatives.	Frequencies, percentages, weighted mean and standard deviation.	A conservative preference dominates: 67.0% report low risk tolerance; mean risk score = 1.46/3 (SD = 0.72).
O5. Examine the relationship between demographics and investment behaviour.	Chi-square test.	$\chi^2 = 3.21$, $p = .072$ indicates no statistically significant association at the 5% level for the relationship tested.

7. Conclusion

This study provides a locality-specific assessment of investors' perception towards mutual funds in Sangareddy based on a sample of 106 respondents. The evidence indicates a generally favourable yet cautious orientation: 54.7% participate in mutual-fund investment, 67.0% demonstrate low risk tolerance, and 64.2% are satisfied or strongly satisfied. The weighted mean satisfaction score of 3.87 on a five-point scale further supports the presence of an overall positive perception.

The reported correlation of 0.64 ($N = 106$) suggests a moderate positive association between the relevant mutual-fund statements and investor perception, while the reported chi-square result ($p = 0.072$) does not establish a statistically significant demographic association with investment participation at the 5% level. The study's factor analysis identifies return, risk and safety as principal dimensions.

The practical implication is a need for informed, suitability-based investor education. Sangareddy would benefit from clearer risk communication, transparent information, simplified access, digital inclusion, long-term investment education and appropriate risk profiling. The objective should be informed participation rather than indiscriminate expansion of mutual-fund investment.

The study contributes evidence on investor perception, participation, risk tolerance and satisfaction in the Sangareddy context. The findings support the need for informed, suitability-based investor education, clearer risk communication, transparent information, simplified access and appropriate risk profiling. Future studies may strengthen the evidence base through broader sampling designs, larger datasets and complete multivariate diagnostic reporting.

8. Limitations of the Study

The findings of the study should be interpreted within certain limitations. First, the study is based on a sample of 106 respondents selected through convenience sampling; therefore, the findings primarily represent the perceptions of the respondents included in the study and should not be generalised to the entire population without caution. Second, the study is cross-sectional in nature and captures investor perceptions and behaviour at a particular point in time, whereas investment preferences and market conditions may change over time.

Third, the analysis relies mainly on self-reported responses, which may be influenced by differences in financial knowledge, recall and personal interpretation. Fourth, although the study employs multiple statistical techniques to strengthen the analysis, the availability of detailed respondent-level and item-level information limits the scope for more advanced modeling and deeper examination of causal relationships. Finally, investor perception is influenced by several economic, psychological and market-related factors that may not be fully captured within a single locality-based survey.

9. Scope for Future Study

The present study provides several directions for future research. Future studies may adopt probability-based or stratified sampling techniques and include larger, more diverse samples to improve representativeness and comparative analysis. Comparative studies across urban and rural areas, districts or states may provide a broader understanding of regional variations in mutual-fund awareness, perception and participation.

Longitudinal studies may also examine how investor perception and behaviour change with market movements, financial experience and investor-education initiatives. Future research may investigate the role of financial literacy, income, digital access, behavioural biases, investment experience and social influences in shaping mutual-fund participation. With comprehensive respondent-level data, advanced statistical techniques such as multiple regression, logistic regression or structural equation modeling may be employed to examine predictive relationships among awareness, risk tolerance, perception, satisfaction and investment behaviour.

Further factor-analytic research may use larger samples and report complete diagnostic statistics, including KMO, Bartlett's test, communalities, eigenvalues, explained variance and factor loadings. Such extensions would strengthen the empirical evidence and contribute to a more comprehensive understanding of the factors influencing mutual-fund investment decisions.

8. Recommendations and Practical Implications

- Investor education programmes should focus on risk–return understanding, diversification, the Riskometer, SIP discipline and scheme suitability rather than merely promoting mutual-fund participation.
- Mutual-fund intermediaries and investor-education agencies should develop simple, locally accessible communication in English and regional languages to improve comprehension among first-time investors.
- Since the reported respondent profile is predominantly young and risk-conscious, financial guidance should emphasis goal-based investing, long-term horizons and appropriate risk profiling.
- **Future studies should employ probability-based or stratified sampling, use larger and more diverse respondent groups, and retain complete datasets to enable deeper multivariate analysis and stronger generalisation.**
- Future factor-analytic studies should report KMO, Bartlett's test, extraction and rotation methods, communalities, eigenvalues, explained variance and factor loadings.

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