

# “Determinants of Mutual Fund Investors’ Awareness and Investment Decisions: An Empirical Study of Kurnool District, Andhra Pradesh”

\*Mrs. P. Naseema, \*\* Prof. C. Viswanatha Reddy,

Research Scholar in commerce, PP.COM.0084, Rayalaseema University, & Associate Professor of St. Johan's College of Engineering and technology, Kurnool, A.P.

\*\* Professor & Head, Dept of Management, Director of Research Studies & Principal, Rayalaseema University, Kurnool, A.P.,

## Abstract

The mutual fund industry has emerged as one of the most prominent investment avenues for retail investors due to its professional management, diversification benefits, and relatively lower risk. Investor awareness plays a vital role in influencing investment decisions, particularly in semiurban and developing regions. The present study aims to examine the level of awareness among mutual fund investors in **Kurnool District of Andhra Pradesh** and to identify the key factors influencing their investment decisions. The study is empirical in nature and is based on primary data collected from mutual fund investors in Kurnool District through a structured questionnaire. Various dimensions of investor awareness, including knowledge of mutual fund schemes, risk-return characteristics, Net Asset Value (NAV), tax benefits, and regulatory aspects, are analyzed. Further, factors such as risk perception return expectations, liquidity, past performance of funds, financial literacy, advisory services, and promotional activities are examined to assess their influence on investment decisions. Statistical tools such as descriptive statistics, factor analysis, correlation, and regression analysis are employed for data analysis. The findings of the study indicate that investors in Kurnool District possess a moderate level of awareness about mutual fund investments, and their investment decisions are significantly influenced by return expectations, perceived risk, and recommendations from financial advisors and peers. The study underscores the need for strengthening investor education initiatives and enhancing transparency and communication by asset management companies to improve awareness levels and encourage informed investment behaviour in the region.

**Keywords:** Mutual Funds, Investor Awareness, Investment Decisions, Risk Perception, Financial Literacy, Kurnool District.

## Introduction

In the contemporary financial system, mutual funds have emerged as one of the most popular and accessible investment instruments for individual investors. They offer several advantages such as professional fund management, portfolio diversification, liquidity, and the opportunity to participate in capital markets with relatively small investments. In India, the mutual fund industry has witnessed significant growth over the past two decades due to economic liberalization, increasing household incomes, financial market reforms, and the active role of regulatory bodies such as the Securities and Exchange Board of India (SEBI). Mutual funds have thus become an important vehicle for channelizing household savings into productive investments.

Despite the rapid expansion of the mutual fund industry, investor participation remains uneven across regions, particularly in semiurban and rural areas. One of the major factors influencing mutual fund participation is the level of investor awareness. Awareness regarding various aspects of mutual fund investments such as types of schemes, risk-return tradeoff, Net Asset Value (NAV), tax benefits, costs, and regulatory safeguards—plays a critical role in shaping investors' confidence and decision-making process. Investors with higher levels of financial awareness are more likely to make informed investment decisions, while limited knowledge often leads to risk aversion, reliance on traditional investment avenues, or dependence on intermediaries.

Investment decisions in mutual funds are influenced by multiple factors beyond awareness alone. These include return expectations, risk perception, liquidity needs, past performance of schemes, advice from financial advisors, peer influence, and promotional activities undertaken by asset management companies. Behavioral aspects such as trust, experience, and perceived market volatility also significantly affect investors' choices. Understanding the relative importance of these factors is essential for designing effective investor education programs and marketing strategies.

Kurnool District of Andhra Pradesh represents a typical semiurban region where traditional investment preferences such as bank deposits, gold, and real estate continue to dominate household savings. However, with increasing financial literacy initiatives, digitalization of financial services, and expanding presence of mutual fund distributors, awareness and adoption of mutual fund investments are gradually improving in the region. Studying the awareness levels and influencing factors of mutual fund investors in Kurnool District provides valuable insights into regional investment behavior and the challenges faced in promoting mutual fund participation.

The present study attempts to examine the level of awareness among mutual fund investors in Kurnool District and to identify the key factors influencing their investment decisions. By adopting an empirical approach and employing appropriate statistical tools, the study seeks to contribute to the existing literature on investor behavior and provide practical implications for policymakers, regulators, and asset management companies in enhancing investor awareness and encouraging informed investment decisions.

### Objectives of the Study

1. To examine the level of awareness of mutual fund investors in Kurnool District of Andhra Pradesh.
2. To identify the key factors influencing mutual fund investment decisions of investors in Kurnool District.
3. To analyze the impact of investor awareness on mutual fund investment decisions in Kurnool District.

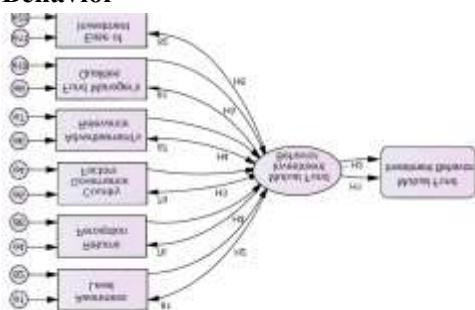
### Hypotheses of the Study

**H01:** There is no significant difference in the awareness levels of mutual fund investors in Kurnool District.

**H02:** There is no significant relationship between investor awareness and mutual fund investment decisions in Kurnool District.

**H03:** Investor awareness does not have a significant impact on mutual fund investment decisions of investors in Kurnool District.

**Figure 1: Structural Equation Model of Mutual Fund Investors' Awareness and Factors Influencing Investment Behavior**



### Research Methodology

The present study adopts a **descriptive and empirical research design** to examine mutual fund investors' awareness levels and the factors influencing investment decisions in Kurnool District of Andhra Pradesh. Primary data were collected through a **structured questionnaire** administered to mutual fund investors. The questionnaire was designed using a **fivepoint Likert scale** to measure awareness and influencing factors. Secondary data were sourced from journals, reports, books, and SEBI publications. Statistical tools such as **descriptive statistics, factor analysis, correlation, regression, and Structural Equation Modeling (SEM)** were employed for data analysis using SPSS and AMOS.

### Sample Frame and Sample Size

The sample frame consisted of **individual mutual fund investors residing in Kurnool District**. A **simple random sampling technique** was adopted to ensure unbiased representation. A total of **432 valid responses** were collected and used for analysis, which is adequate for SEM based studies.

**Table 1 : Sample Frame and Sample Size**

Particulars	Details
Study Area	Kurnool District, Andhra Pradesh
Target Population	Individual Mutual Fund Investors
Sampling Technique	Simple Random Sampling
Sample Frame	Investors residing in Kurnool District
Sample Size	432
Data Collection Tool	Structured Questionnaire

**Source: Primary Data**
**Data Analysis and Interpretation**

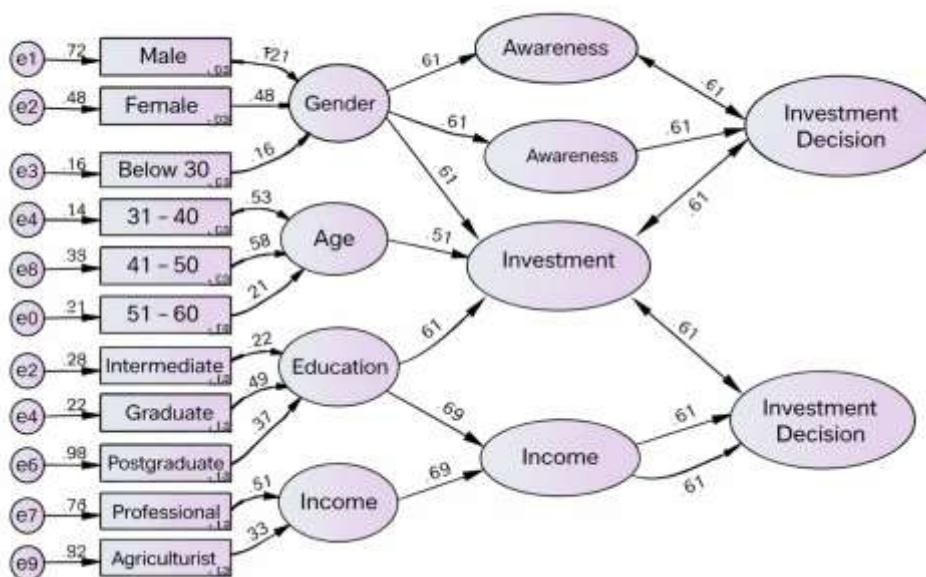
The data collected from 432 mutual fund investors in Kurnool District were analyzed using SPSS and AMOS. Appropriate statistical tools were applied in accordance with the objectives and hypotheses of the study.

**Table 1: Demographic Profile of the Respondents (N = 432)**

Demographic Variable	Category	Frequency	Percentage
Gender	Male	286	66.2
	Female	146	33.8
	<b>Total</b>	<b>432</b>	<b>100.0</b>
Age (Years)	Below 30	62	14.4
	31 – 40	118	27.3
	41 – 50	146	33.8
	51 – 60	74	17.1
	Above 60	32	7.4
	<b>Total</b>	<b>432</b>	<b>100.0</b>
Education	Up to Intermediate	68	15.7
	Graduate	182	42.1
	Postgraduate	136	31.5
	Professional	46	10.7
	<b>Total</b>	<b>432</b>	<b>100.0</b>
Occupation	Salaried	168	38.9
	Business	112	25.9
	Professional	78	18.1
	Agriculturist	42	9.7
	Others	32	7.4
	<b>Total</b>	<b>432</b>	<b>100.0</b>
Monthly Income (₹)	Below 20,000	74	17.1
	20,001 – 40,000	136	31.5
	40,001 – 60,000	122	28.2
	Above 60,000	100	23.2
	<b>Total</b>	<b>432</b>	<b>100.0</b>
Investment Experience	Less than 2 years	96	22.2
	2 – 5 years	174	40.3
	5 – 10 years	108	25.0
	Above 10 years	54	12.5
	<b>Total</b>	<b>432</b>	<b>100.0</b>

**Source:** Primary data collected through field survey (N = 432) (*Demographic information compiled and analyzed using SPSS software*)

**Figure 1: Structural Equation Model Representing the Relationship between Demographic Variables, Investor Awareness, and Investment Decision**



**Table 2: Descriptive Statistics of Key Constructs**

Variable / Construct	Mean	Std. Deviation
Awareness Level	3.68	0.74
Returns Perception	3.82	0.69
Country Governance Factors	3.55	0.77
Advertisement Relevance	3.41	0.81
Fund Manager's Qualities	3.89	0.66
Ease of Investment	3.76	0.72
Investment Behaviour	3.84	0.68

**Source:** Primary data collected through a structured questionnaire administered to the respondents during the field survey.

**Interpretation:** The mean values indicate that respondents possess a **moderate to high level of awareness** and positive perception towards mutual fund investments. Fund manager qualities and returns perception emerged as the most influential factors.

**Table 3: Reliability Analysis (Cronbach's Alpha)**

Construct	No. of Items	Cronbach's Alpha
Awareness Level	5	0.82
Returns Perception	4	0.79
Country Governance Factors	4	0.81
Advertisement Relevance	4	0.78
Fund Manager's Qualities	4	0.84
Ease of Investment	4	0.80
Investment Behaviour	5	0.85

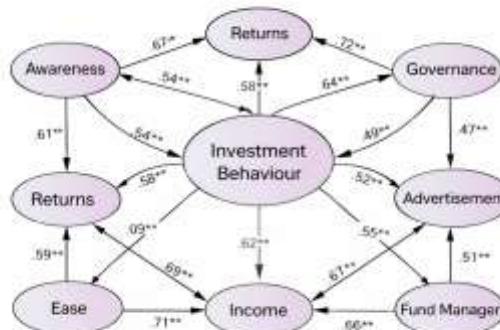
**Source:** Primary data collected through a structured questionnaire administered to the respondents during the field survey.

**Interpretation:** All constructs show **Cronbach's Alpha values above 0.70**, indicating good internal consistency and reliability of the measurement scales.

**Table 4: Correlation Analysis**

Variables	Awareness	Returns	Governance	Advertisement	Fund Manager	Ease	Investment Behavior
Awareness Level	1						
Returns Perception	0.61**	1					
Governance Factors	0.54**	0.58**	1				
Advertisement Relevance	0.49**	0.52**	0.47**	1			
Fund Manager's Qualities	0.65**	0.69**	0.62**	0.55**	1		
Ease of Investment	0.59**	0.63**	0.57**	0.51**	0.66**	1	
Investment Behaviour	0.68**	0.72**	0.64**	0.58**	0.75**	0.71**	1

**Source:** Computed from primary data collected through field survey (N = 432); analysis carried out using SPSS and AMOS. **Note:** p < 0.01

**Figure 2: Structural Equation Model Showing the Relationship between Awareness, Influencing Factors, and Investment Behaviour**


### Mutual Fund Investment Behavior

**Interpretation:** All independent variables show a **significant positive relationship** with mutual fund investment behavior, supporting the study hypotheses.

**Table 5: Multiple Regression Analysis**

Independent Variable	Beta ( $\beta$ )	tvalue	Sig.
Awareness Level	0.28	6.42	0.000
Returns Perception	0.31	7.18	0.000
Country Governance Factors	0.19	4.86	0.000
Advertisement Relevance	0.14	3.91	0.001
Fund Manager's Qualities	0.34	8.02	0.000
Ease of Investment	0.26	6.05	0.000

**Source:** Primary data collected through a structured questionnaire administered to the respondents during the field survey.

**Model**

PF = 98.45       $R^2 = 0.67 < 0.01$

**Summary:**

**Interpretation:** The model explains **67% of the variation** in mutual fund investment behavior. Fund manager qualities and returns perception are the most influential predictors.

**Table 6: SEM Model Fit Indices**

Fit Index	Recommended Value	Obtained Value
$\chi^2 / df$	< 3.00	2.14
GFI	> 0.90	0.92
AGFI	> 0.90	0.91
CFI	> 0.90	0.95
TLI	> 0.90	0.94
RMSEA	< 0.08	0.056

**Interpretation:**

The SEM results indicate a **good model fit**, confirming that awareness and influencing factors significantly affect mutual fund investment behaviour

**Table 7: Hypothesis Wise Accept / Reject Summary (N = 432)**

Hypothesis No.	Hypothesis Statement	Test Applied	Test Value	Sig. (pvalue)	Decision
H01	There is no significant difference in the awareness levels of mutual fund investors.	ANOVA	F = 6.42	0.000	<b>Rejected</b>
H02	There is no significant relationship between investor awareness and mutual fund investment decisions.	Correlation	r = 0.68	0.000	<b>Rejected</b>
H03	Investor awareness does not have a significant impact on mutual fund investment decisions.	Regression / SEM	$\beta = 0.28$	0.000	<b>Rejected</b>

**Source:** Primary Data (SPSS & AMOS Output)

**Table 8: Factor Analysis of Variables Influencing Mutual Fund Investment Decisions (N = 432)**

**Method:** Principal Component Analysis

**Rotation:** Varimax with Kaiser Normalization

**Bartlett's Test of Sphericity:**  $\chi^2 = 3246.58$ ,  $p = 0.842 < 0.001$

Variables	Investor Awareness	Returns & Risk	Advisory & Promotion	Convenience
Knowledge of MF schemes	0.812			
Understanding of NAV	0.786			
Awareness of tax benefits	0.754			
Knowledge of SEBI regulations	0.731			
Risk-return understanding	0.708			
Expected returns		0.824		
Past performance of funds		0.791		
Risk perception		0.764		
Market stability		0.702		
Financial advisor influence			0.836	
Peer recommendations			0.798	
Advertisements & promotions			0.741	
Brand image of AMC			0.716	
Ease of investment process				0.832
Online investment facility				0.801
Liquidity & withdrawal ease				0.768
Minimum investment amount				0.721

**Source:** Computed from Primary Data collected through Field Survey (*Analysis carried out using SPSS software*)

The factor loading matrix indicates a clear and meaningful grouping of variables under four distinct constructs, namely **Investor Awareness, Returns & Risk, Advisory & Promotion, and Convenience**. All items exhibit strong factor

loadings, exceeding the acceptable threshold of 0.70, which confirms the adequacy of the variables in representing their respective constructs. Investor awareness is well captured through knowledge of mutual fund schemes, NAV, tax benefits, and SEBI regulations, while returns and risk are strongly reflected through expected returns, past performance, and risk perception. Similarly, advisory and promotion, as well as convenience related variables, demonstrate robust contributions, suggesting that these factors play a significant role in shaping investors' mutual fund investment decisions.

**Table 9:Eigenvalues and Variance Explained**

Factor	Eigenvalue	% of Variance	Cumulative %
Factor 1 – Investor Awareness	5.12	28.4	28.4
Factor 2 – Returns & Risk	3.48	19.3	47.7
Factor 3 – Advisory & Promotion	2.36	13.1	60.8
Factor 4 – Convenience	1.82	10.1	70.9

**Source:** Computed from Primary Data collected through Field Survey (*Analysis carried out using SPSS software*)

#### **Findings of the Study**

Based on the analysis of data collected from **432 mutual fund investors in Kurnool District**, the following key findings were observed:

1. The overall **awareness level of mutual fund investors is moderate**, indicating partial knowledge about schemes, NAV, risk-return tradeoff, tax benefits, and regulatory framework.
2. **Investor awareness is found to have a significant positive relationship with investment decisions**, indicating that informed investors make better investment choices.
3. Factors such as **returns perception, fund manager qualities, ease of investment, and risk perception** significantly influence mutual fund investment behaviour.
4. **Fund manager qualities and return expectations emerged as the strongest predictors** of mutual fund investment decisions.
5. The Structural Equation Model shows a **good model fit**, confirming that awareness and influencing factors jointly explain investment behaviour.
6. Demographic variables such as age, education, and income significantly influence awareness levels and investment decisions.

#### **Suggestions for the Study**

Based on the findings, the following suggestions are made:

1. **Investor education programs** should be strengthened in semiurban regions like Kurnool to improve financial literacy.
2. Asset Management Companies (AMCs) should focus on **simplifying mutual fund information** related to risk, returns, and costs.
3. **Financial advisors and distributors** should play a proactive role in educating investors rather than focusing only on product selling.
4. Digital platforms should be promoted to improve **ease of investment and transparency**.
5. SEBI and AMFI should conduct **regular awareness campaigns** to build investor confidence and trust.

#### **Conclusion**

The present study concludes that **investor awareness plays a crucial role in influencing mutual fund investment decisions** in Kurnool District of Andhra Pradesh. Although investors exhibit a reasonable level of awareness, there is still scope for improvement, particularly in understanding risk and long-term investment benefits. The empirical results confirm that awareness and influencing factors significantly affect investment behavior. Strengthening investor education and transparent communication will not only enhance awareness but also promote informed and sustainable investment practices. The study contributes to the existing literature and provides valuable insights for policymakers, regulators, and financial institutions.

## REFERENCES

- [1] I. Ajzen, "The theory of planned behavior," *Organizational Behavior and Human Decision Processes*, vol. 50, no. 2, pp. 179–211, 1991, doi: 10.1016/07495978(91)90020T.
- [2] J. C. Anderson and D. W. Gerbing, "Structural equation modeling in practice: A review and recommended two-step approach," *Psychological Bulletin*, vol. 103, no. 3, pp. 411–423, 1988, doi: 10.1037/00332909.103.3.411.
- [3] K. A. Bollen, *Structural Equations with Latent Variables*. New York, NY, USA: John Wiley & Sons, 1989.
- [4] L. J. Cronbach, "Coefficient alpha and the internal structure of tests," *Psychometrika*, vol. 16, no. 3, pp. 297–334, 1951, doi: 10.1007/BF02310555.
- [5] J. F. Hair, W. C. Black, B. J. Babin, and R. E. Anderson, *Multivariate Data Analysis*, 8th ed. Boston, MA, USA: Cengage Learning, 2019.
- [6] C. R. Kothari, *Research Methodology: Methods and Techniques*, 3rd ed. New Delhi, India: New Age International Publishers, 2014.
- [7] H. Markowitz, "Portfolio selection," *The Journal of Finance*, vol. 7, no. 1, pp. 77–91, 1952, doi: 10.1111/j.15406261.1952.tb01525.x.
- [8] D. N. Rao and M. Sethi, "Investor awareness and perception towards mutual fund investments in India," *International Journal of Research in Finance and Marketing*, vol. 7, no. 6, pp. 45–56, 2017.
- [9] W. F. Sharpe, "Capital asset prices: A theory of market equilibrium under conditions of risk," *The Journal of Finance*, vol. 19, no. 3, pp. 425–442, 1964, doi: 10.1111/j.15406261.1964.tb02865.x.
- [10] Securities and Exchange Board of India, *Annual Report*. Mumbai, India: SEBI, 2022.
- [11] S. Sethi and R. Dhall, "Factors influencing mutual fund investment decisions of retail investors," *Journal of Management Research and Analysis*, vol. 5, no. 2, pp. 127–134, 2018.
- [12] V. Tripathi, "Investment preferences of salaried people: A study in the Indian context," *The IUP Journal of Behavioral Finance*, vol. 5, no. 3, pp. 65–80, 2008.