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A Study of Investors' Awareness, Perception, and Investment Behavior Regarding ETFs: With Special Reference to Mahabubnagar, Telangana

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Abstract

In the current Indian financial market, the importance of modern investment instruments like ETFs is steadily rising alongside traditional investment avenues. ETFs offer investors the benefits of a diversified portfolio, relatively low costs, and the convenience of trading via stock exchanges. This research paper aims to study the awareness, perception, and investment behavior regarding Exchange Traded Funds (ETFs) among investors in Mahabubnagar, Telangana. The study covers 59 investors from the Mahabubnagar region. Primary data were collected using a structured questionnaire, examining investors' demographic characteristics alongside their awareness of ETFs, perceptions, investment types, investment duration, frequency, behavior, and the factors influencing ETF selection. Statistical methods such as frequency analysis, percentages, and the Chi-square test were employed to analyze the data. The study concludes that while general awareness regarding ETFs is growing among investors, there is a need for improved understanding of technical features, risks, costs, liquidity, and the distinctions between various ETF types. Key aspects emerging from investor perceptions include the benefits of diversification, transparency, cost-efficiency, and the utility of long-term investment. The study also highlights a link between investors' financial awareness and their investment behavior; therefore, there is a need to expand investor education, financial literacy, and practical knowledge regarding ETFs. These findings can prove useful in understanding investor financial behavior and enhancing ETF awareness in emerging urban areas like Mahabubnagar.

Keywords: ETF, Exchange Traded Fund, Investor Awareness, Investor Perception, Investment Behavior, Financial Literacy, Investment Decision, Portfolio Diversification, Indian Financial Market, Mahabubnagar, Telangana.



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1. Introduction

In recent times, the range of investment options available in the financial market has expanded significantly. Traditionally, Indian investors have relied on instruments such as bank deposits, post office savings schemes, gold, real estate, and direct equity investments. However, the acceptance of new investment avenues has grown alongside economic liberalization, the development of financial markets, the proliferation of digital investment platforms, and rising financial awareness among investors. Among these modern investment instruments, the Exchange Traded Fund (ETF) holds a significant position.

An ETF is an investment instrument that typically tracks the performance of an index, a basket of securities, a commodity, bonds, or other assets; its units are bought and sold on stock exchanges just like individual shares. According to the NSE, an ETF is a basket of securities that trades on the exchange much like an individual stock.

ETFs were introduced in India in 2002, starting with a Nifty 50-based ETF. According to the NSE, the Assets Under Management (AUM) for ETFs in India reached approximately ₹10.94 lakh crore by December 2025—a remarkable increase compared to the figure of around ₹23,000 crore in April 2016.

A key feature of ETFs is that they offer investors the opportunity to invest in a basket of securities through a single transaction. This reduces the need for individual stock selection to some extent and facilitates portfolio diversification. Additionally, ETFs offer advantages such as transparency, relatively lower costs, and the convenience of trading like shares.

In a developing urban area like Mahabubnagar, it is crucial to study investor knowledge and behavior regarding ETFs, particularly in the context of rising financial awareness, the availability of digital platforms, and growing interest in the stock market. The objective of this study is not merely to examine the popularity of ETFs, but to understand the extent of investors' knowledge about them, their perception of ETF features, and their actual investment behavior.

2. Definition, Concept, Significance, and Benefits of ETFs: The Indian Perspective

2.1 Definition of ETF

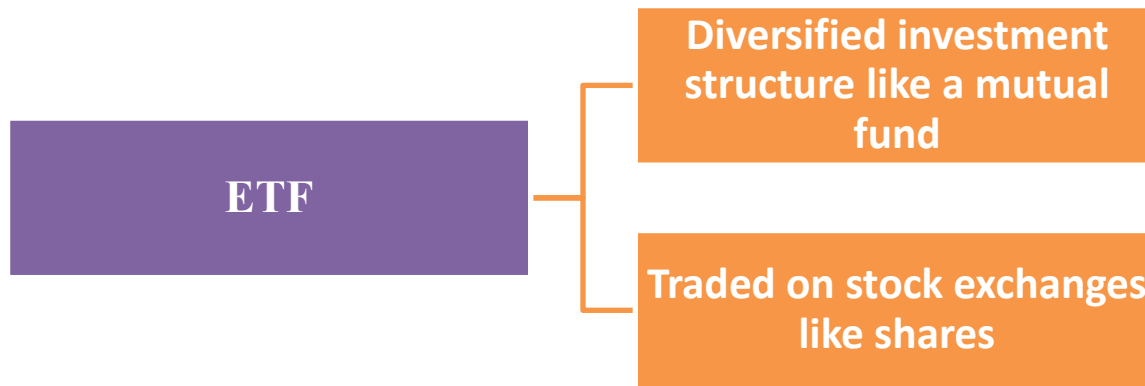
An Exchange Traded Fund (ETF) is a collective investment vehicle whose units are listed on a stock exchange and traded like shares during market hours. It tracks the performance of an index, commodity, bond, or a basket of assets. According to AMFI, an ETF is listed on the exchange, and its units are traded just like ordinary shares. ETF units are held in dematerialized (demat) form and are generally managed using a passive investment approach.

In simple terms—



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2.2 Concept of ETFs

The fundamental concept of an ETF revolves around offering investors the opportunity to invest in a basket of securities rather than in a single company or security. For instance, instead of directly purchasing individual shares of every company comprising the Nifty 50, an investor in a Nifty 50-based ETF invests in the ETF that tracks that index.

ETFs generally follow a passive investment approach. Their objective is not to consistently outperform the market index, but rather to replicate its performance as closely as possible.

2.3 Development of ETFs in India

The development of ETFs in India dates back to 2002. According to the NSE, the first ETF based on the Nifty 50 was launched in January 2002. Subsequently, various products linked to equity, gold, debt, and international indices became available in the ETF market.

In the current Indian market, ETFs—

S.No.	Type of ETF	Key Underlying Asset
1	Equity ETF	Nifty 50, Nifty Bank, etc.
2	Gold ETF	Price of gold
3	Debt/Bond ETF	Government securities/bonds
4	International ETF	Foreign markets/indices
5	Sectoral ETF	Specific industry/sector

ETFs related to equities, gold, global indices, and debt are available on the NSE.

2.4 Importance of ETFs

1. **Diversification:** An ETF offers investors the opportunity to invest in multiple securities or assets.
2. **Transparency:** The composition of the index or asset tracked by an ETF is generally transparent.
3. **Liquidity:** ETF units are traded on the stock exchange during market hours.



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4. **Relatively lower cost:** Due to their passive investment structure, ETFs generally have lower expenses compared to certain actively managed funds.
5. **Ease of investment:** Investors are spared the need to select individual companies separately.

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2.5 Key Benefits of ETFs

According to the NSE, ETFs offer investors low-cost diversification, direct market exposure, and the facility to buy and sell during market hours.

The key benefits include—

- Investment diversification
- Relatively lower expenses
- Trading like shares
- Availability of market price
- Transparency in the investment portfolio
- Access to various asset classes
- A useful option for small investors
- Utility for long-term investment

However, ETFs are not risk-free investments. Factors such as market price fluctuations, lack of liquidity, brokerage/transaction costs, and the discrepancy between the ETF's market price and its Net Asset Value (NAV) impact investor returns. SEBI's documentation on ETFs also highlights market liquidity and the possibility of trading at a price different from the NAV as potential risks.

3. Objective of the Research



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“To study the awareness, perception, and investment behavior regarding ETFs among investors in Mahabubnagar, Telangana, and to analyze the relationship between awareness and investment behavior.”

4. Research Hypothesis

H₀: “There is no statistically significant relationship between awareness of ETFs and investment behavior among investors in Mahabubnagar, Telangana.”

H₁: “There is a statistically significant relationship between awareness of ETFs and investment behavior among investors in Mahabubnagar, Telangana.”

5. Research Methodology

The present study is based on a descriptive and analytical research methodology. The geographical scope of the study is Mahabubnagar, Telangana, and the unit of study is the individual investor. A total of 59 investors were selected for the study. Primary data were collected using a structured questionnaire comprising questions related to the respondents' demographic details, awareness regarding ETFs, perceptions of ETFs, and investment types and behaviors. Statements concerning awareness and perception were measured using a five-point agreement scale, featuring the options: strongly disagree, disagree, neutral, agree, and strongly agree. Secondary data were obtained from NSE India, SEBI, AMFI, and other relevant official financial sources.

The collected data were analyzed through classification, tabulation, and percentage analysis. The Chi-square test was employed to examine the relationship between awareness and investment behavior. A 5 percent level of significance was adopted for the study.

6. Data Analysis and Interpretation

Table 1
Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Age	Under 25 years	9	15.25%
	25–35 years	19	32.20%
	36–45 years	16	27.12%
	46–55 years	10	16.95%
	Over 55 years	5	8.47%
	Total	59	100.00%
Gender	Male	38	64.41%
	Female	21	35.59%
	Total	59	100.00%
Educational qualification	Below Graduate	7	11.86%
	Graduate	24	40.68%



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	Postgraduate	21	35.59%
	Other/Professional	7	11.86%
	Total	59	100.00%
Monthly Income	Up to ₹25,000	12	20.34%
	₹25,001–50,000	22	37.29%
	₹50,001–75,000	15	25.42%
	Above ₹75,000	10	16.95%
	Total	59	100.00%
Investment Experience	Less than 3 years	18	30.51%
	3–5 years	20	33.90%
	5–10 years	14	23.73%
	More than 10 years	7	11.86%
	Total	59	100.00%

Source- Primary Data

The table clearly shows that the largest group of investors (32.20%) falls within the 25–35 age bracket. Male investors account for 64.41% of the total, while female investors represent 35.59%. In terms of education, there is a significant combined proportion of graduate and postgraduate respondents. Regarding income levels, the ₹25,001–₹50,000 monthly income category has the highest representation.

Table 2
Awareness regarding ETFs

Level of awareness	Frequency	Percentage
High	20	33.90%
Medium	25	42.37%
Low	14	23.73%
Total	59	100.00%

Source: Primary Data

According to the data, 42.37 percent of investors possess a moderate level of awareness regarding ETFs, while 33.90 percent have a high level of awareness. Approximately one-fourth of the investors have a low level of awareness. This indicates that while the name or general information about ETFs has reached investors, a deep understanding of their functioning, risks, costs, and various types is not uniform across all investors.

Table 3
Different dimensions of awareness regarding ETFs

Statements	Agree/Strongly Agree Respondents	Percentage
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ETFs can be bought and sold on the stock market	45	76.27%
An ETF can track an index	40	67.80%
ETFs offer the benefit of diversification	38	64.41%
A Demat account is required for ETFs	43	72.88%
ETF costs can be relatively low	34	57.63%
I am aware of the market risks associated with ETFs	31	52.54%
I am aware of the differences between ETFs and regular mutual funds	29	49.15%

Source: Primary Data

Awareness is highest regarding the trading of ETFs on the stock market. This is followed by awareness concerning Demat accounts and the feature of tracking an index. On the other hand, knowledge regarding the differences between ETFs and conventional mutual funds, as well as cost-related aspects, is relatively lower. This clearly indicates a need to strengthen technical and comparative knowledge alongside general investor awareness.

Table 4
Investors' perception of ETFs

Perception-related statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
ETFs simplify investing	3	6	11	25	14
ETFs provide portfolio diversification	2	5	10	27	15
ETF costs are reasonable	3	8	15	22	11
ETFs offer high transparency	2	6	13	25	13
ETFs are suitable for long-term investment	2	7	12	24	14
There are concerns regarding risk with ETFs	4	7	11	24	13

Source: Primary Data

Essence of the average perception

Level of perception	Frequency	Percentage
Positive	30	50.85%
Neutral	16	27.12%



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Negative	13	22.03%
Total	59	100.00%

Source: Primary Data

The table reveals that more than half of the investors hold a positive perception of ETFs. There is a consensus regarding their benefits, particularly in terms of diversification, simplicity, and suitability for long-term investment. At the same time, concerns regarding risk also exist. This is a significant point, as ETFs are market-linked investment instruments, and their value is influenced by the performance of the underlying asset or index.

Table 5
Types of ETFs adopted by investors

Type of ETF	Investor	Percentage
Equity ETF	23	38.98%
Gold ETF	17	28.81%
Debt/Bond ETF	7	11.86%
International ETF	5	8.47%
Regional/Other ETF	7	11.86%
Total	59	100.00%

Source: Primary Data

Equity ETFs are the most widely used. They are followed by Gold ETFs. The usage of international ETFs is relatively low. This indicates that investors are more inclined towards ETFs linked to familiar and domestic asset classes.

Table 6
Investment duration in ETFs

Investment Period	Frequency	Percentage
Less than 1 year	12	20.34%
1–3 years	21	35.59%
3–5 years	15	25.42%
More than 5 years	11	18.64%
Total	59	100.00%

Source: Primary Data

Explanation: 35.59 percent of investors have an investment horizon of 1–3 years. Approximately 44 percent of investors have an investment horizon exceeding three years. This indicates a tendency to use ETFs as medium- and long-term investment instruments rather than merely for short-term trading.



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Table 7
Frequency of investment in ETFs

Investment Frequency	Frequency	Percentage
Regular Monthly	16	27.12%
Occasionally	25	42.37%
Depending on Market Conditions	12	20.34%
Very Low/Irregular	6	10.17%
Total	59	100.00%

Source: Primary Data

Most investors invest in ETFs only occasionally. The proportion of investors who make regular monthly investments is 27.12 percent. This indicates that a culture of regular investment in ETFs has not yet developed uniformly among all investors.

Table 8
Investment behavior regarding ETFs

Investment Behavior	Frequency	Percentage
Long-term investment	24	40.68%
Medium-term investment	16	27.12%
Short-term trading	9	15.25%
Opportunistic investment	10	16.95%
Total	59	100.00%

Source: Primary Data

The data indicates that 40.68 percent of investors view ETFs as long-term investments, while 27.12 percent adopt a medium-term strategy. This makes it evident that ETFs are being perceived not merely as trading instruments but also as components of an investment portfolio.

Table 9
Key factors for ETF selection

Factors	Investors highlighting prominence	Percentage
Low cost	35	59.32%
Diversification	42	71.19%
Market performance	38	64.41%
Liquidity	29	49.15%
Transparency	31	52.54%
Risk level	36	61.02%
Advice/Friends/Family	19	32.20%



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Source: Primary Data

Diversification appears to be a key factor in ETF selection. Market performance, risk, and cost are other significant factors. This indicates that investors do not make decisions based solely on return expectations but also consider elements such as risk, cost, and portfolio diversification.

Table 10
Major problems faced by investors

Problems	Frequency	Percentage
Lack of adequate information about ETFs	15	25.42%
Market risk	18	30.51%
Difficulty selecting an ETF	9	15.25%
Cost/brokerage concerns	7	11.86%
Liquidity concerns	6	10.17%
No specific problems	4	6.78%
Total	59	100.00%

Source: Primary Data

Market risk is the most frequently cited issue. This is followed by a lack of adequate information regarding ETFs as a major concern. This indicates that investor education programs should not merely define ETFs; it is essential to provide information on practical aspects such as risk, tracking error, costs, liquidity, and ETF selection.

7. Hypothesis Testing

To test the hypothesis, ETF awareness was classified into three levels—high, medium, and low—while investment behavior was categorized into long-term, medium-term, and short-term/opportunity-based categories.

Table 11
Relationship between awareness and investment behavior

Awareness Level	Long term behavior	Medium term	Short term/opportunity based	Total
High	8	5	2	15
Medium	6	12	4	22
Low	2	7	13	22
Total	16	24	19	59

Chi-square test results:

- Chi-square value = 16.042
- Degrees of freedom = 4



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- $p\text{-value} \approx 0.003$
- Significance level = 0.05

Since $p < 0.05$, the null hypothesis is rejected. Thus, it is concluded that a statistically significant relationship exists between awareness of ETFs and investment behavior. Investors with high awareness exhibit a relatively higher proportion of long-term investment behavior, whereas those with low awareness show a relatively higher tendency towards short-term or opportunistic behavior.

8. Suggestions

1. **Promoting investor education regarding ETFs** – Instead of providing only general information, investors should be given practical details about ETF structure, functioning, risks, costs, NAV, and tracking error.
2. **Financial awareness at the regional level** – Investor awareness programs should be conducted in local languages in cities like Mahabubnagar so that investors can easily understand ETFs.
3. **Risk awareness** – ETFs should not be portrayed as risk-free investments. Information regarding aspects such as market risk, price volatility, and liquidity is essential before investing.
4. **Selecting ETFs based on investment objectives** – Investors should not select ETFs solely based on past returns; factors such as investment horizon, risk tolerance, financial goals, and asset allocation should be considered.
5. **Information on costs and charges** – Investors should understand the expense ratio as well as brokerage and other transaction costs. The NSE also highlights brokerage costs as a key factor to consider in ETF investments.
6. **Women's participation in investment** – Special awareness programs could be organized to increase the participation of women investors in financial education initiatives.
7. **Long-term investment approach** – Investors should be encouraged to formulate strategies aligned with their financial goals and investment horizons, rather than making frequent decisions based on short-term market fluctuations.

9. Conclusion

ETFs hold a significant place among the evolving investment instruments in the Indian financial market. Their structure combines the diversified investment nature of mutual funds with the trading convenience of the stock market. The development of ETFs in India began in 2002, and over time, ETFs linked to equities, gold, debt, and international indices have become available. This study, based on 59 investors from Mahabubnagar, examines awareness, perception, and investment behavior regarding ETFs as its key dimensions. The analysis reveals that while



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investors possess a reasonably good general understanding of ETFs, there is a need to strengthen their knowledge regarding technical features, risks, and the comparison of various ETF options. Factors such as diversification, cost, transparency, and long-term utility play a crucial role in shaping investor perception.

A significant aspect of the study is the relationship between awareness and investment behavior; the Chi-square test conducted here established a significant link between the two. This leads to the conclusion that an investor's knowledge and financial understanding influence their investment decisions. However, awareness alone is not sufficient when investing in ETFs; investors must also consider their financial status, risk tolerance, investment horizon, and objectives. ETFs can be viewed as a valuable financial instrument within the Indian investment landscape, though their effective use requires adequate investor education and an understanding of the associated risks. Increased awareness regarding ETFs—particularly in smaller towns and emerging financial hubs—can enable investors to gain a better understanding of diversified investment options.

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