Article Title - Impact of perceived risk on intention to reinvest in mutual funds using distributor's online channel

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Abstract

Distributors are an essential part of the mutual fund industry. With the growth of digitization, investors are increasingly using the digital channel for their financial service needs. This research focuses on understanding the impact of perceived risk on investors' choice to reinvest in mutual funds using the distributor's online channel. Investors investing in mutual funds using the distributor's online channel are contacted for this study because they have experience using the online channel. Such investors can perceive and estimate the risk of online channel usage and the intention of reusing the online channel to invest in mutual funds. The research also focuses on understanding the moderating role of digital literacy of the investors. The data was collected from investors investing in mutual funds online through a distributor. The analysis showcases how the perceived risk of using the digital channel affects the choice of reinvesting using the distributor's medium of mutual fund investment. This research uses Prospect Theory to understand the relationship.

Keywords – perceived risk, digital literacy, intention to reinvest, mutual funds, distributors, online channel.

Introduction

Investing in mutual funds is a high involvement decision. Investors gather as much information as they can regarding their choice of investment and the choice of channel before making an investment decision. An investor can choose whether to invest/redeem their mutual funds directly with the mutual fund house or through a distributor (Panda & Ali, 2018; Dikkatwar *et al.*,2019). 28% individual investors invest their money in mutual funds in India directly with the mutual fund house, and 72% individual investors invested their money through a distributor as of 31st July 2025(AMFI – Individual Investors, July 2025 edition). A distributor can be a Registered Investment Advisor (RIA), a bank, or a Non-Banking Financial Corporation (NBFC) dealing in mutual fund investments, wealth management firms, etc. These companies or individuals need to be recognized by the Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI). These distributors facilitate investment in mutual funds of the investors on their behalf.

90% of investments in mutual funds are done using the online channels (AMFI-Crisil Report, 2025). Online channels play a strong role in reaching large geographical boundaries and help mutual funds reach a vast investor base. These platforms provide a plethora of options for investment and post-investment related services. Past experience of using the online channel and its perception post usage are important considerations for reusing the channel (Ungratwar *et. al.,* 2025). While executing financial services transactions online is growing exponentially in India, the perceived risk of using the channel is an important consideration (Singh & Gaur, 2018). Perceived risk in the context of the channel has extensively been studied in the past (Martins *et. al.,* 2014; Damghanian *et. al.,* 2017; Ghosh and Upadhyay, 2017; Habib & Hamadneh, 2021; Nguyen *et. al.,* 2021). This research focuses on the perceived risk of using the channel in the context of mutual fund investments using the distributor's online channel.

Behavioural intention is an important element for decision making which affects investor behaviour (Kumari *et. al.,* 2023). The research explores the impact of perceived risk on investors' intention to reinvest in mutual funds using the distributor's online channel. Reinvestment using online channels depends on the experience and risk perception related to the usage of the previous online channel (Gazi *et. al.*, 2024). The current research focuses on understanding the impact of perceived risk on intention to reinvest using the distributor's online channel. Customers' mindset is affected by the experience of the channel. Customer experience is subjective and is prone to biases (Wibowo & Simanjuntak, 2020). Trust in the firm and the channel plays an important role in affecting repurchase intention. Customer attitude and perceived experience of the channel affects trust of the customer (Ali & Sheikh, 2025). Digital literacy of a person guides them to use the channel and affects their attitude

(Luthfia, 2021). The moderating role of digital literacy is considered to understand the relationship between perceived risk and intention to reinvest. The theory considered in understanding the relation is Prospect Theory. Using the concept of Prospect Theory, this study focuses on understanding investor behaviour with respect to reinvesting in mutual funds using the same online channel of the distributor. Perceptions created and experienced while using the online channel for financial transactions affects investor behaviour (Nair *et. al.,* 2023). There is very little information in existing literature that focuses on channel reinvestment intention, focusing on the distributor's online channel. Therefore, this research focuses on understanding the impact of perceived risk on the intention to reinvest using the distributor's online channel.

Literature Review

Perceived Risk

Bauer (1960) introduced the idea of perceived risk in marketing literature as a basic concept to identify the uncertainties associated with looking for and selecting information about goods and/or services before making any purchasing decision (Sharma *et. al.,* 2024). While the internet offers informational advantage, some of its intrinsic characteristics create uncertainties (Santos & Gonçalves, 2019). In an online setting, the likelihood of uncertain results or unpredictability is high due to the fundamentally risky characteristics of the internet, its intangibility, limited control of the user and anonymity (Sohn, 2024). Channel attributes, service offerings of the channel, and brand image of the channel affect the risk perception of using the channel in the minds of the investor for mutual fund investments (Tong, 2018). Perceived risk refers to the uncertainty of unfavorable consequences that can arise out of using the financial platform (Sharma *et. al.,* 2024). It is a multi-dimensional concept which directly affects the behavioral intention of the person (Kaur & Arora, 2021). Perceived risk of using the channel is an important consideration for an individual to consider repurchasing from the same channel (Putri *et. al.*, 2019).

Security risk, social risk, and financial risk are three main contributors of perceived risk (Kaur & Arora, 2023; Cintamur, 2024). Security risk is related to the risk of losing/compromising personal information online (Lai *et. al.*, 2024). In the context of mutual fund investing online, this risk is associated with the risk of compromising and spillage of personal and financial information of the investor online. Social risk is related to the reputation of the company, which can be affected due to the actions of the company and/or from the opinion of the social circle of the customer (Cintamur, 2024). Reputation of the firm also affects the repurchase intention (Saleem *et. al.,*2024). In the context of mutual fund investing online, it refers to the reputation of the distributor through whom the investor invests in mutual funds online. Financial risk is related to the risk of losing financial digital possessions. For example – Safety and security of financial digital assets and dematerialised products (Alalwan *et. al.*, 2017). Indian investors are highly guided by the perceived risk of using an online channel (Kaur & Arora, 2021). In the case of digital channel usage, the risk associated with using the channel can affect the ability of using the channel as well as the intention of purchasing through the online channel (Livingstone, 2019). This study only considers the uncertainty related to investments in mutual funds done using the distributor's online channel.

<u>Intention to reinvest</u>

Intention to repurchase is the evaluation of an individual to use the same channel for repurchase which they used earlier, considering their current situation and the possible outcome in the future (Hellier *et. al.,* 2003; Wen *et. al.,* 2011). Existing literature mentions that the intention to repurchase is heavily dependent on the perception of the channel in the minds of the investor for mutual fund investments (Mishra *et. al.,* 2023). Repurchase intention is a subjective phenomenon and is prone to personal biases of the customers, which also affects their decision-making (Wibowo & Simanjuntak*,* 2020). Behavioural biases and emotional basis affect repurchase intention (Akdogan *et. al.,* 2025). Perceived past experience of the channel also affects their behaviour and perception of the channel (Do *et. al.,* 2023). Customers are value-driven and are affected by psychological value and personal beliefs with respect to channel usage and intention to repurchase using the same channel (Asfour *et. al.,* 2024). Oliver (2014) also confirms that cognitive evaluation of the channel and emotional perception are important considerations for repurchase intention.

Multiple perspectives in the existing literature focus on intention for repurchase in the context of e-commerce (Adeosandi & Mutiara, 2023; Wantara & Suryanto, 2023) and confirm that the experience of using the channel and the perceived risk of using the channel are evaluations for the individual to consider using the channel again for repurchase. Repurchase intention reflects the customer's mindset in the channel and showcases the confidence the customer has in the online channel (Asfour *et. al.,* 2024). This research is in the context of digital channel usage in mutual fund investments; therefore, it focuses on understanding the impact of perceived risk on the intention to reinvest using the digital channel of the distributor. Therefore, in this study, the concept of repurchase intention is considered as the intention to reinvest. The intention to reinvest is considered in the context of online channel re-usage of the distributor.

Digital Literacy

Digital literacy is a set of skills that is required by a person to use digital media (UNESCO, 2011). Cetindamar *et. al.* (2021) explains digital literacy as the ability of an individual to explore and comprehend digital technology. Digital literacy helps understand and use the electronic hardware (Nurmala *et. al.,* 2025) and being ethically aware of the possibilities of the extensions of the digital medium and using the same responsibly (Laar *et. al.,* 2017). Zhang and Zhang (2024) explain that digital literacy pertains to an individual's understanding of the features and capabilities of the digital media. Tuamsuk & Subramaniam (2017) also mention that digital literacy entails technical proficiency, cognitive proficiency, and emotional-social proficiency while using digital media.

Suryani *et. al.* (2022) mention that there are 4 four fragments of digital literacy – (i) recognizing the need for information; (ii) ability to search for the information from the available data; (iii) ability to evaluate the information; (iv) ability to use the information efficiently and effectively.

Cognitive functions and ability of an individual guide them to use the digital channel to fulfil their needs (Nurmala *et. al.,* 2025). Digital literacy of an investor while considering financial products guides them to use the online channel efficiently by maneuvering through the displayed information and processsing the information efficiently (Jasin *et. al.*, 2022). Access to the internet and cloud computing systems is a powerful tool, which is increasingly becoming popular in the financial services industry, and people are adopting the same at a rapid pace in India for their financial needs (Gautam *et. al.,* 2022).

Existing literature confirms that digital literacy helps monitor the risk associated with using the online channel and the ability to use the channel (Rodríguez-de-Dios et al., 2018; Livingstone, 2017). Therefore, in this study, the moderating role of digital literacy is studied.

Conceptual Model

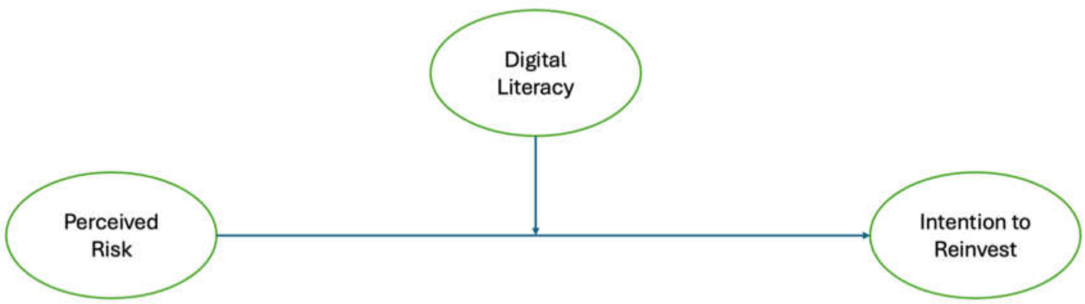
The hypothesis of the study focuses on understanding the impact of perceived risk of using the digital channel of the distributor on the intention of reinvestment using the same medium for mutual fund investment. The study also focuses on understanding the moderating role of digital literacy. The theoretical grounding used to understand the relationship is Prospect Theory. Prospect Theory is a behavioral economics theory that explains how people make decisions under uncertainty and risky conditions (Kahneman & Tversky, 2013). The theory helps acknowledge that investor intention is a subjective psychological understanding and not an objective conclusion. It also helps understand that investor’s intention is not only risk averse but also is influenced by loss aversion. Through prospect theory, we understand that intention to reinvest is also prone to biases and can influence investor's mindset. The biasness refers to investor's sensitivity to perceived risk and its behavioral implications to intention to reinvest. The perceived risk in this context does not refer to mutual fund investment, but to the channel used for reinvestment. Digital literacy is considered as a moderating variable to understand the relationship using Prospect Theory. Digital literacy helps understand the intensity of the relationship between perceived risk and intention to reinvest using distributors' online channel.

H_1 – Perceived risk of using the distributor's online channel affects the intention of reinvestment in mutual funds using the distributor's online channel when moderated with digital literacy of the investor.

H_1 - Perceived Risk x Digital Literacy -> Intention to Reinvest

The hypothesis focuses on understanding the impact of perceived risk in the minds of the investors with respect to using the distributor's online channel for reinvesting in mutual funds. The moderating impact of financial literacy is studied through this research.

Figure 1 – Research Model



Research Methodology

A questionnaire was created using Microsoft Forms. All questions were kept compulsory to avoid missing value bias.

A pilot study was conducted with 54 respondents who invest online in mutual funds using the distributor's online channel. After the respondents have attempted to answer the questions, they were contacted over the phone and in some cases face-to-face to get their feedback on the questionnaire, and based on their feedback, updates and corrections in the questionnaire were made (Appendix 1 shares the scale used for creating the questionnaire).

The updated questionnaire was then shared with a mutual fund house in India to help collect data from their investors. The mutual fund house then sent 10,000 emails PAN India to their investors who have invested their money into the schemes using a distributor's online channel. 600 unique responses were received. These responses were then recorded and coded for analysis.

Results and Analysis

Demographic Characteristics of the respondents

Table 1 – Gender of the Respondent	
Gender of the Respondents	**Count**
Male	369
Female	231
Non-binary	0
Prefer not to say	0
Others	0
	600

61.5% respondents investing in mutual fund using the distributor's online medium are men and 38.5% are women investors.

Table 2 – Region of the respondent	
Which region of India do the respondents reside	**Count**
North	168
East	106
South	143
West	135
Central	48
	600

The respondents are from varied regions in India giving a holistic perspective throughout Indian.

Table 3 – Risk averseness of the respondent	
How risk averse are the respondents while investing in mutual funds	**Count**
High	143
Moderate	385
Low	72
	600

64% respondents have self-declared themselves to be moderately risk averse with respect to investment decision making and 24% and 12% respectively self-declare themselves to be high risk averse and low risk averse.

Table 4 – Number of years of investing in mutual funds	
Since how many years are the respondents investing in mutual funds	**Count**
0-5 years	387
6-10 years	206
11-15 years	5
16-20 years	2
21-25 years	0
26-30 years	0
more than 30 years	0
	600

As we can note from the above information, almost 99% of investment in mutual funds through the distributor's online channel was done in the last 10 years.

Data analysis

The analysis of the data was done using SEM method to check the impact of perceived risk on the intention to reinvest in mutual funds using the distributor's online channel when moderated by digital literacy of the investor.

To conduct an efficient SEM method of analysis, initially, a confirmatory factor analysis was conducted to understand the reliability and validity of the data, the results of which are mentioned below.

Table 5							
	CR	AVE	MSV	MaxR(H)	Intention to Reinvest	Perceived Risk	Digital Literacy
Intention to Reinvest	0.825612	0.612166	0.487204	0.826083	0.78241		
Perceived Risk	0.821443	0.613028	0.015876	0.896007	0.037	0.782961	
Digital Literacy	0.817314	0.528103	0.487204	0.818177	0.698	-0.126	0.726707

Table 6	
Model fit indices	**Values**
χ^2 **/ df**	1.129 (p value -0.282)
RMSEA	0.015
GFI	0.988
NFI	0.985
TLI	0.998
CFI	0.998
IFI	0.998
PGFI	0.575

The confirmatory factor analysis confirms on the reliability and validity of the results, and they are found to be strong. The model fit values also showcase a strong fit of the model and there is also no threat of CMV showcasing a strong robustness of the model.

Hypothesis Testing and Analysis

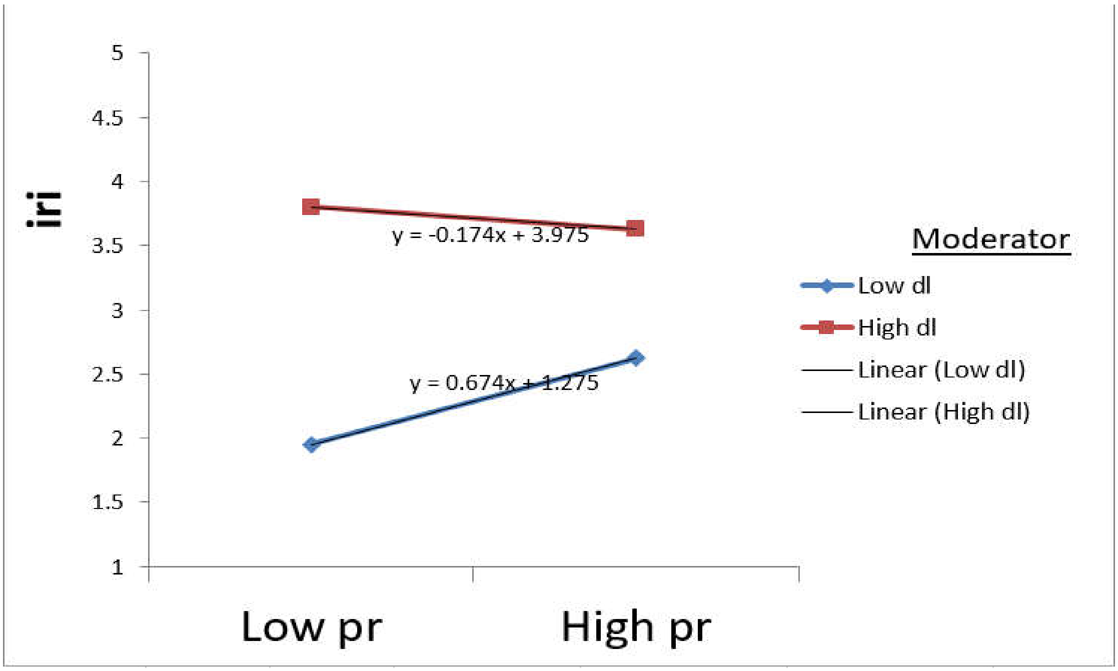
Table 7			
Hypothesis	**Relationship**	**T- value**	**Std. path coefficients**
	Perceived Risk -> Intention to Reinvest	3.196	0.125***
	Digital Literacy -> Intention to Reinvest	13.318	0.714***
H1	Perceived Risk x Digital Literacy -> Intention to Reinvest	-5.469	-0.212***
Model Fit	χ^2/df = 1.093 (p value = 0.318), GFI = .987, CFI = 0.998, IFI = 0.998, TLI = 0.998, RMSEA = 0.012		
*p<0.10, **p<0.05, ***p<0.01			

Data analysis is an important step in a research. It supports the ideation and the explanation of the data. With a satisfactory Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) conducted the hypothesis results also portray strong and clear results. The results of the study indicate a significant relationship between perceived risk and intention to reinvest using distributor's online channel when moderated with financial literacy. The results are analyzed considering a theoretical grounding in prospect theory. Prospect theory is a behavioral economist theory developed by Daniel Kahneman and Amos Tversky in 1979 (Levy, 1992). The theory focuses on understanding how people make decisions under uncertainty and how people's decisions are not always based on rationality and is sometimes prone to biases (Barberis, 2013). The model fit of the hypothesis confirms the plausible explanation to the data and suggests that the data is a meaningful explanation to the conditions.

Findings

The findings of the study explore the impact of perceived risk on the intention of the investor to reinvest in mutual funds using the online channel of the distributor. The moderating role of digital literacy explores how digital literacy affects investor behavior. The graph showcases the inclination of investor consideration regarding intention to reinvest based on perceived risk. The relationship for high digitally literate investors and low digitally literate investors is depicted separately and analyzed separately.

Figure 2 – Relationship of the variables



As confirmed in existing literature, perceived risk has a linear relationship with repurchase intention (Park *et. al.,* 2005). New-age literature also confirms this linear relationship from the perspective of online channel (Kamalul *et. al.,* 2018; Ha, 2020). Based on the graph above, we understand that investors with high digital literacy have a negative relation of perceived risk and intention to reinvest, and investors with low digital literacy have a positive relation of perceived risk and intention to reinvest.

For investors with high digital literacy, when there is low perceived risk of using the distributor's online channel, the intention to reinvest is high, as they have used the channel in the past and are aware of the channel offerings. When their risk perception of using the channel is low, their intention to reinvest using the same online channel of the distributor is high. Post channel usage, as their risk perception increases, the relation with intention to reinvest turns negative. As per the concept of loss aversion from prospect theory (Levy, 1992), people experience the pain of loss more strongly than the satisfaction of gain. The reference point as per prospect theory (Edwards, 1996), for people with high digital literacy is keeping themselves digitally secure, as they are aware of what can go wrong and where. The fear of losing personal information and their savings by using a risky platform affects their intention to reinvest from the same platform. Investors with high digital literacy are equipped with the knowledge to gauge the risks associated with the channel usage, and based on their experience of using the channel, they can perceive the risks associated with using the channel. Therefore, elaborating from the concept of loss aversion from prospect theory, the fear of loss overpowers the pleasure of gains; the association is therefore negative for high digitally literate investors.

For investors with low digital literacy, there is a positive relation between perceived risk and intention to reinvest using the distributor's online channel. At low level of perceived risk, the investor's intention to reinvest is moderate. This is because of their past experience of using the channel and successfully using the distributor's online channel for executing their investments. As per prospect theory, the reference point (Edwards, 1996) is successfully using the online channel for mutual fund investments. By effectively executing the investment despite the lack of a digital channel gives them a sense of gain and success. As the perceived risk increases, the intention to reinvest also increases, creating a positive relationship. This can be explained by the concept of myopic loss aversion and risk-seeking in loss domain from prospect theory (Costa, 2018). As the perceived risk increases and while considering reinvest, investors with low digital literacy become risk-seeking as they feel that they have successfully navigated the channel once and they can successfully do it again, despite the lack of digital literacy. This showcases a myopic viewpoint of low digitally literate investors and portrays a risk-seeking behavior as per prospect theory. As per prospect theory, people are prone to biases, and not all decisions are rational (Barberis, 2013). This case of a positive relationship is a sense of bias and a myopic perspective of low digitally literate investors as confirmed by prospect theory. They do not want to accept that the channel is risky, as they feel it is a psychological loss for them. Instead, they want to engage with the channel and not feel defeated by the channel and feel incompetent. Higher the risk, the more they are willing to engage with the channel, to feel good about their channel engagement. They feel high-risk steering of the channel is the only way to prove to themselves that they are competent to navigate digital channels in today's digital world. This myopic viewpoint stands confirmed in prospect theory, which states that people are risk-seeking in order to avoid loss (Edwards, 1996). In this context, the loss is not being able to successfully use a digital channel.

Discussion

This research focuses on understanding investor behavior with respect to intention to reinvest using the distributor's online channel for investing in mutual funds. As confirmed in existing literature, perceived risk is an important consideration for repurchase intention (Putri *et. al.*, 2019). Investor mindset is prone to biases, especially when related to online channel usage decision making (Vyas *et. al.,* 2022; Chen e*t. al.,* 2022). With growing digitization and people having accelerated access to digital platforms, this research focuses on understanding the moderating role of digital literacy. With the hypothesis being significant, the research stands on accord with the existing literature that perceived risk is a valid consideration for intention to reinvest. In the domain of mutual fund distributors' online channel reinvestment intention, existing literature is limited. Therefore, the scope of the study focuses on the distributor's online channel for mutual fund investments.

The result of the study focuses on understanding investors' risk perception with respect to intention to reinvest in mutual fund using the distributor's online channel when moderated by digital literacy. Using prospect theory as theoretical grounding, the results portray how high digitally literate investors, and low digitally literate investors consider perceived risk as a consideration for reinvestment intention.

High digitally literate investors have a negative relation between perceived risk and intention to reinvest. The negative relation explains that these investors are risk-averse, and as the perceived risk increases, their intention to reinvest decreases because they prefer digital safety and security.

Low digitally literate investors have a positive relation between perceived risk and intention to reinvest. As we are testing for reinvestment intention, it means that the low digitally literate investors have explored the channel earlier. Considering their past successful investment stint with the online channel of the distributor as a reference point, the association is positive. This is due to their perception of risk-seeking behavior. As they have already successfully invested using the digital channel earlier, they feel they can do it again too. They do not want to feel defeated by the online channel despite their lack of digital literacy. This myopic behavior has its roots in the concept of risk-seeking as per prospect theory (Edwards, 1996).

Conclusion

This research helps extend existing knowledge of investor behavior. With the growing digitization in the mutual fund industry, this research provides empirical evidence of digital adoption and understanding from an investor perspective. The research also provides new information in the mutual fund industry, focusing on distributors' online channel, which has been researched scarcely. Mutual fund investment being a high risk-high involvement decision, this research helps understand investor behavior from risk perspective. This research can help mutual fund distributors plan their business strategy efficiently and build long-term relations with the investors. This research can also help regulatory bodies like SEBI and AMFI govern the industry and protect investor interest more diligently.

Understanding intention to reinvest helps distributors build investor loyalty and helps the distributor increase their brand image.

This research only considers perceived risk as an antecedent to intention to reinvest. Other variables such as attitude of the investor, brand trust, and brand affect of the distributor's online channel can also be studied and explored in the future. This research only focuses on distributors' online channels; the direct channel investment medium can be examined in the future, and the impact of these variables can also be studied for online channels and offline channels in the future.

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Appendix 1 – Scale used for creating the questionnaire

	Question	Question type	Item Source	CR of the original scale
Perceived Risk	I am concerned about the security/authenticity of digitally invested mutual funds.	Likert Scale - 1 (never) to 7 (always)	Santos, S. and Gonçalves, H.M., 2019	0.843
	I am concerned about the risk of interception of personal information in digitally invested mutual funds.			
	I am concerned about the reputation of the distributor through whom I digitally invest in mutual funds.			

	Question	Question type	Item Source	CR of the original scale
Digital Literacy	I am confident in browsing, searching, filtering data, and information and digital content for mutual fund investing	Likert Scale - 1 (never) to 7 (always)	Cetindamar *et. al.,* 2021	0.866
	I regularly use cloud information storage services or external storage drives to store investment related information.			
	I regularly use cloud information storage services or external storage drives to store investment related information.			
	I am capable to solve digitally enabled technical problems related to my mutual fund investments. (for example - converting a Word file to a PDF, saving investment-related information on my device, etc.)			
	I can use digital technologies (devices or services) to solve (non-technical) problems related to my mutual fund investments. (for example - investment-related queries or information if needed, etc.)			
	I am able to use varied digital platforms to make an informed mutual fund investment decision.			

	Question	Question type	Item Source	CR of the original scale
Intention to reinvest	Whenever I want to reinvest in mutual funds I can imagine myself using digital channel of the distributor in the near future.	Likert Scale - 1 (never) to 7 (always)	Sembada and Koay, 2021	0.73
	Whenever I want to reinvest in mutual funds I am open to investing through digital channel of the distributor in the near future.			
	Whenever I want to reinvest in mutual funds I can consider using digital channels of the distributor.			