

Risk Perception and Risk Management Practices among Equity Futures Investors in Kerala

Ms Divya J K¹, Dr. Venkata Sridevi K²

Research scholar, Department of Management Studies, St. Peter's Institute of Higher Education and Research, Avadi, Chennai divyalal64@gmail.com

Assistant Professor, Department of Management Studies, St. Peter's Institute of Higher Education and Research, Avadi, Chennai sridevikv.mba@spiher.ac.in

HOW TO CITE:

Divya J K, Venkata Sridevi K (2026). Risk Perception and Risk Management Practices among Equity Futures Investors in Kerala International Journal of Special Education, 41(20s), 1586 - 1595

ABSTRACT

The study examined risk perception and risk management practices among equity futures investors in Kerala and assessed whether these variables differed across selected demographic characteristics. A descriptive and analytical research design was adopted, and primary data were collected from 300 equity futures investors using a structured questionnaire. Risk perception and risk management practices were measured through separate 24-item five-point scales. The data were analysed using EDUSTAT through descriptive statistics, independent-samples t-test, one-way ANOVA, Welch ANOVA, appropriate post-hoc tests, and Pearson correlation. The findings revealed high levels of both risk perception and risk management practices among the respondents. Significant differences in risk perception were observed across gender, age, educational qualification, occupation, and monthly income. Risk management practices also differed significantly across all these demographic characteristics. Further, risk perception showed a significant positive relationship with risk management practices ($r = .636, p < .001$), indicating that investors who perceived greater risk tended to adopt risk management measures more extensively. The study highlights the importance of calibrated risk awareness and systematic risk-management behaviour in equity futures trading.

COPYRIGHT STATEMENT:

Copyright: © 2026 Authors.
Open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>).

Key Words - Equity futures, Risk perception, Risk management practices

Introduction

Financial markets provide investors with a range of instruments for wealth creation, portfolio management, speculation, and risk transfer. Derivative instruments occupy a distinctive position because their values are derived from underlying securities, indices, commodities, currencies, or other financial assets. Equity futures allow market participants to take positions on expected future price movements

and may be used for hedging as well as speculative purposes. However, futures positions are leveraged and margin-based, so adverse price movements can generate losses that are large relative to the capital initially committed. The risk-containment framework of the Indian equity derivatives market therefore places substantial emphasis on initial margins, mark-to-market obligations, and other safeguards (National Stock Exchange of India Limited [NSE], n.d.).

Risk is central to futures trading because market prices respond rapidly to firm-specific information, macroeconomic conditions, global developments, and changes in investor expectations. The financial consequences of uncertainty are amplified when investors use leverage or concentrate their capital in a limited number of positions. Effective participation in equity futures markets consequently requires not only market knowledge but also an informed understanding of possible losses and disciplined methods for controlling exposure.

Investor decision-making under uncertainty is not determined solely by objective probabilities. Individuals interpret gains, losses, volatility, and uncertainty through subjective judgements. Prospect theory demonstrates that choices under risk are affected by the manner in which potential gains and losses are evaluated, with losses often receiving disproportionate psychological weight (Kahneman & Tversky, 1979). Risk perception therefore provides an important behavioural perspective for understanding why investors facing similar market conditions may adopt different levels of caution and different trading practices.

The present study focuses on equity futures investors in Kerala and examines two closely connected dimensions of investor behaviour: risk perception and risk management practices. It seeks to determine the overall levels of these variables, assess whether they vary across selected demographic characteristics, and examine whether investors who perceive greater risk also report greater use of risk management practices.

Background of the Study

Risk perception refers to the way individuals recognise, interpret, and evaluate uncertainty and its possible adverse consequences. Research on risk perception has long established that perceived risk is shaped by subjective judgement rather than by objective probability alone (Slovic, 1987). In an investment setting, perceived risk may reflect concerns about possible financial loss, price variability, lack of predictability, liquidity, transparency, and the investor's perceived ability to control or manage the

investment. Sachse et al. (2012), for example, identified loss and variability together with transparency and manageability as important dimensions underlying individual investors' perceptions of investment risk.

Financial risk perception is also associated with individual characteristics and investment choices. Grable (2000) showed that financial risk-taking characteristics were related to demographic and socioeconomic factors such as gender, age, occupation, income, education, and financial knowledge. Nguyen et al. (2019) further demonstrated that risk perception and risk tolerance jointly contribute to investment decision-making. Such findings suggest that investors' demographic backgrounds and financial circumstances may influence not only the amount of risk they are willing to accept but also the level of risk they perceive in particular financial instruments.

Risk perception may change in response to market conditions and can influence investor behaviour. Hoffmann et al. (2013) found that individual investors' perceptions shifted during the financial crisis and were associated with changes in trading and risk-taking behaviour. In the context of equity futures, this connection is especially important because investors must continually respond to volatility, margin requirements, potential margin calls, and rapid changes in the value of open positions. Risk management practices such as assessing potential loss, controlling position size, maintaining adequate margins, using stop-loss limits, diversifying exposure, monitoring positions, and avoiding excessive leverage are therefore fundamental to disciplined futures trading.

The importance of effective risk management is reinforced by recent evidence from India's equity derivatives market. SEBI (2024) reported that 93 per cent of individual traders incurred losses in the equity futures and options segment during FY2022-FY2024, with aggregate losses exceeding ₹1.8 lakh crore over the three-year period. More recent SEBI studies have continued to examine both the profitability and trading behaviour of individual participants in the equity derivatives

segment (Securities and Exchange Board of India [SEBI], 2026a, 2026b). These findings underline the need to understand how retail investors perceive and manage the risks inherent in derivative trading.

Although equity derivatives have become an important area of retail market participation, evidence focusing specifically on the connection between risk perception and risk management behaviour among equity futures investors in Kerala remains limited. An investor may recognise futures trading as risky without consistently applying adequate risk controls, while another investor's heightened awareness of leverage and potential losses may encourage more systematic risk-management behaviour. The present study was therefore undertaken to examine risk perception and risk management practices among equity futures investors in Kerala and to analyse their demographic differences and interrelationship.

Research Questions

1. Do risk perceptions differ significantly among equity futures investors across selected demographic characteristics?
2. Do risk management practices differ significantly among equity futures investors across selected demographic characteristics?
3. Is there a significant relationship between risk perception and risk management practices among equity futures investors in Kerala?

Research Objectives

1. To examine differences in risk perception among equity futures investors across selected demographic characteristics.
2. To examine differences in risk management practices among equity futures investors across selected demographic characteristics.
3. To examine the relationship between risk perception and risk management practices among equity futures investors in Kerala.

Hypotheses

1. Risk perception differs significantly among equity futures investors across selected demographic characteristics.
2. Risk management practices differ significantly among equity futures investors across selected demographic characteristics.
3. There is a significant relationship between risk perception and risk management practices among equity futures investors in Kerala.

Methodology

The study adopted a descriptive and analytical research design to examine risk perception and risk management practices among equity futures investors in Kerala. The population of the study comprised individual investors residing in Kerala who were engaged in equity futures trading in the Indian stock market. Since a complete and readily accessible sampling frame of equity futures investors in Kerala was not available, purposive sampling was adopted to identify respondents having actual experience in equity futures trading. A total of 300 equity futures investors constituted the sample for the study.

Primary data were collected using a structured questionnaire. The questionnaire consisted of three sections. The first section collected demographic and investment-related information about the respondents. For hypothesis testing, gender, age, educational qualification, occupation, and monthly income were considered the selected demographic characteristics. The second section measured risk perception through 24 statements using a five-point Likert scale ranging from 1, Strongly Disagree, to 5, Strongly Agree. The third section measured risk management practices through 24 statements using a five-point frequency scale ranging from 1, Never, to 5, Always. Higher scores indicated higher risk perception and greater adoption of risk management practices, respectively.

The collected data were coded, processed, and analysed using EDUSTAT. Descriptive statistics, including mean and standard deviation, were

used to assess the overall levels of risk perception and risk management practices. Independent-samples t-test was used to examine differences between two demographic groups, while one-way ANOVA was employed for comparisons involving more than two groups. Welch ANOVA was used where the assumption of homogeneity of variance was not satisfied. Significant ANOVA results were followed by appropriate post-hoc comparisons using Tukey HSD or Games-Howell tests. Pearson correlation analysis was employed to examine the relationship between risk perception and risk management practices. Statistical significance was assessed at the 5 per cent level.

Data Analysis and Interpretation

The data collected from 300 equity futures investors were analysed in accordance with the objectives and hypotheses of the study. Risk perception and risk management practice scores were computed from the respective 24-item scales. Descriptive statistics were used to assess the overall levels of the two major variables. Independent-samples t-test, one-way ANOVA, Welch ANOVA, appropriate post-hoc tests, and Pearson correlation analysis were used for hypothesis testing. Statistical significance was evaluated at the 5 per cent level.

Table 1 *Descriptive Statistics of Risk Perception and Risk Management Practices*

Variable	N	Mean	SD	Level
Risk Perception	300	4.046	0.491	High
Risk Management Practices	300	3.880	0.495	High

Source: Primary data

Table 1 shows that the mean score for risk perception was 4.046 with a standard deviation of 0.491, indicating a high level of perceived risk among equity futures investors. The mean score for risk management practices was 3.880 with a standard deviation of 0.495, which also represents a high level. Thus, the respondents

generally perceived equity futures trading as risky and reported considerable adoption of practices intended to manage such risks.

The first hypothesis stated that risk perception differs significantly among equity futures investors across selected demographic characteristics.

Table 2 *Tests of Differences in Risk Perception across Selected Demographic Characteristics*

Demographic Characteristic	Statistical Test	Test Statistic	p Value	Result
Gender	Independent-samples t-test	$t(298) = 4.712$	$< .001$	Significant
Age	One-way ANOVA	$F(3, 296) = 6.726$	$< .001$	Significant
Education	One-way ANOVA	$F(3, 296) = 4.792$	.003	Significant
Occupation	Welch ANOVA	$F(4, 88.70) = 6.793$	$< .001$	Significant
Monthly Income	Welch ANOVA	$F(4, 134.14) = 5.201$	$< .001$	Significant

Source: Primary data

Table 2 reveals significant differences in risk perception according to gender, age, education, occupation, and monthly income. Female investors reported higher risk perception ($M = 4.214$) than male investors ($M = 3.947$), and the

difference was statistically significant. Significant differences were also found among the categories of age, education, occupation, and monthly income. Since all the ANOVA results were significant, post-hoc comparisons were undertaken to identify the groups responsible for the differences.

Table 3 *Significant Post-Hoc Comparisons for Risk Perception*

Characteristic	Significant Comparison	p Value
Age	1586-1595 years > Up to 30 years	.022
	1586-1595 years > Up to 30 years	.018
	51 years and above > Up to 30 years	< .001
Education	Postgraduate > Undergraduate	.006
Occupation	Professional > Salaried employee	< .001
	Professional > Business/Self-employed	< .001
	Professional > Student	.044
Monthly Income	Above ₹1,00,000 > ₹30,001-₹50,000	< .001

Note. Tukey HSD was used where the homogeneity assumption was satisfied; Games-Howell was used following Welch ANOVA. Source: Primary data.

The post-hoc results in Table 3 indicate that investors aged up to 30 years had significantly lower risk perception than those in the three older age groups. Postgraduate investors had significantly higher risk perception than undergraduate investors. Professionals recorded significantly higher risk perception than salaried employees, business/self-employed investors,

and students. Investors earning above ₹1,00,000 per month also had significantly higher risk perception than those earning ₹30,001-₹50,000. Hence, significant demographic differences existed in risk perception, and the first hypothesis was supported.

The second hypothesis stated that risk management practices differ significantly among equity futures investors across selected demographic characteristics.

Table 4 *Tests of Differences in Risk Management Practices across Selected Demographic Characteristics*

Demographic Characteristic	Statistical Test	Test Statistic	p Value	Result
Gender	Independent-samples t-test	$t(298) = 4.624$	< .001	Significant
Age	One-way ANOVA	$F(3, 296) = 12.160$	< .001	Significant

Demographic Characteristic	Statistical Test	Test Statistic	p Value	Result
Education	One-way ANOVA	$F(3, 296) = 4.031$	.008	Significant
Occupation	Welch ANOVA	$F(4, 87.61) = 13.126$	< .001	Significant
Monthly Income	One-way ANOVA	$F(4, 295) = 7.296$	< .001	Significant

Source: Primary data

Table 4 shows statistically significant differences in risk management practices according to all five demographic characteristics considered in the analysis. Female investors recorded a higher

mean risk management practices score ($M = 4.046$) than male investors ($M = 3.781$). Significant differences were also evident across age, education, occupation, and monthly income categories. Post-hoc comparisons were therefore performed for these variables.

Table 5 *Significant Post-Hoc Comparisons for Risk Management Practices*

Characteristic	Significant Comparison	p Value
Age	1586-1595 years > Up to 30 years	.029
	1586-1595 years > Up to 30 years	.002
	51 years and above > Up to 30 years	< .001
	51 years and above > 1586-1595 years	.001
	51 years and above > 1586-1595 years	.026
Education	Postgraduate > Higher Secondary or below	.040
	Professional qualification > Higher Secondary or below	.010
Occupation	Professional > Salaried employee	< .001
	Professional > Business/Self-employed	< .001
	Professional > Student	< .001
	Retired > Student	.024
Monthly Income	Above ₹1,00,000 > Up to ₹30,000	< .001
	Above ₹1,00,000 > ₹30,001-₹50,000	< .001
	Above ₹1,00,000 > ₹50,001-₹75,000	.001

Note. Tukey HSD was used where the homogeneity assumption was satisfied; Games-Howell was used following Welch ANOVA. Source: Primary data.

As shown in Table 5, investors aged up to 30 years generally reported lower levels of risk management practices than older investors, while those aged 51 years and above demonstrated particularly strong risk management practices. Investors with postgraduate and professional qualifications reported higher levels than respondents with comparatively lower educational qualifications. Professionals also exhibited significantly greater risk management

practices than salaried employees, business/self-employed respondents, and students. Investors earning above ₹1,00,000 per month recorded significantly higher risk management practices than several lower-income groups. Thus, significant differences in risk management practices existed across the selected demographic characteristics, and the second hypothesis was supported.

The third hypothesis stated that there is a significant relationship between risk perception and risk management practices among equity futures investors in Kerala.

Table 6 *Correlation between Risk Perception and Risk Management Practices*

Variables	N	Pearson r	p Value	Result
Risk Perception and Risk Management Practices	300	.636	< .001	Significant positive relationship

Source: Primary data

Table 6 indicates a statistically significant positive relationship between risk perception and risk management practices ($r = .636$, $p < .001$). The correlation represents a moderately strong to strong positive association between the two variables. This indicates that investors who perceived greater risk in equity futures trading tended to adopt risk management practices to a greater extent. Therefore, the third hypothesis was supported. Overall, the analysis showed that equity futures investors exhibited high levels of both risk perception and risk management practices, both variables differed significantly across the selected demographic characteristics, and a significant positive relationship was observed between them.

Discussion of the Results

The findings showed that equity futures investors in Kerala exhibited a high level of risk perception as well as a high level of risk management practices. This indicates that respondents generally recognised the financial uncertainty associated with equity futures trading while simultaneously adopting measures intended to

control or reduce potential losses. The result is particularly relevant in the context of futures trading because leverage, margin requirements, price volatility, and rapid market movements can substantially increase investors' financial exposure. A high level of risk perception therefore appears to coexist with greater attention to systematic risk control.

Risk perception differed significantly across gender, age, educational qualification, occupation, and monthly income. Female investors reported higher risk perception than male investors. Differences across age groups indicated that younger investors, particularly those aged up to 30 years, perceived comparatively lower levels of risk than older investors. Such differences may reflect variation in investment experience, financial responsibilities, exposure to market fluctuations, or attitudes towards uncertainty. The broader literature also indicates that demographic and socioeconomic characteristics can be associated with financial risk-taking and risk-related judgements (Grable, 2000).

Educational and occupational differences were also evident. Postgraduate investors reported

greater risk perception than undergraduate investors, while professionals generally exhibited higher risk perception than several other occupational groups. Higher educational attainment and professional exposure may contribute to a more informed assessment of market uncertainty, leverage, margin requirements, and the consequences of adverse price movements. Investors in the highest monthly income category also reported comparatively greater risk perception than some lower-income groups, possibly reflecting greater market exposure and stronger awareness of the amount of capital potentially at risk.

Risk management practices differed significantly across all the selected demographic characteristics. Female investors reported greater adoption of risk management practices than male investors. Older respondents, particularly those aged 51 years and above, tended to follow risk management practices more extensively than younger investors. The stronger risk-management orientation among older investors may be associated with accumulated financial experience, a more cautious approach to capital protection, and greater sensitivity to potential losses.

Educational qualification, occupation, and income were also associated with the adoption of risk management practices. Investors with postgraduate or professional qualifications reported stronger risk management practices than respondents with comparatively lower educational qualifications. Professionals recorded particularly high levels of risk management practices, while students exhibited relatively lower levels. Similarly, investors in the highest income category followed risk management practices more extensively than several lower-income groups. These differences suggest that financial resources, educational exposure, occupational background, and investment experience may contribute to the ability and willingness of investors to employ practices such as position sizing, stop-loss limits, diversification, monitoring of open positions, and control of leverage.

A significant positive relationship was found between risk perception and risk management practices. Investors who perceived equity futures trading as relatively more risky tended to adopt risk management practices to a greater extent. This finding is consistent with the broader view that perceived investment risk is linked to investment decision processes and behavioural responses (Nguyen et al., 2019; Sachse et al., 2012). Investors who are more conscious of leverage, volatility, margin requirements, and the possibility of substantial losses appear more likely to employ mechanisms intended to protect their trading capital. However, because the study is cross-sectional, the observed relationship should be interpreted as an association rather than as evidence that risk perception causally produces risk-management behaviour.

Overall, the results supported all three hypotheses of the study. Risk perception and risk management practices varied significantly across the selected demographic characteristics, and a substantial positive association existed between the two major variables.

Implications of the Study

The findings have implications for investors, stockbroking firms, financial educators, and institutions concerned with participation in the derivatives market. The positive relationship between risk perception and risk management practices suggests that improving investors' understanding of the actual risks associated with equity futures trading may encourage more disciplined trading behaviour. Investor education should therefore address not only the profit potential of futures contracts but also leverage, margin calls, position sizing, stop-loss mechanisms, diversification, volatility, and the financial consequences of excessive exposure.

The significant demographic differences indicate that investor education and risk-management interventions need not follow a uniform approach. Younger investors and respondents with comparatively lower educational qualifications demonstrated relatively lower levels of risk perception or risk management practices in several comparisons. Training

directed at such groups may therefore place greater emphasis on realistic assessment of potential losses, capital allocation, leverage control, and predetermined exit strategies. Practical demonstrations and scenario-based learning may be particularly useful for investors with limited market experience.

Stockbroking firms and trading platforms can also use the findings to strengthen investor-support mechanisms. Risk alerts, margin-utilisation warnings, position-concentration indicators, stop-loss reminders, and educational content relating to leveraged trading can help investors make more informed decisions. Such mechanisms may be especially valuable for comparatively inexperienced or highly active retail investors who may underestimate the speed and magnitude of losses that can arise in futures positions.

The results also have implications for investor-protection initiatives. Programmes relating to derivatives-market awareness should aim to develop calibrated risk perception rather than simply discourage participation in futures trading. Investors need to understand the level and sources of risk accurately and translate that awareness into appropriate risk management practices. Greater emphasis on financial discipline, avoidance of excessive leverage, verification of market information, and control of emotionally driven trading may contribute to more responsible participation in the equity futures market.

Finally, the findings suggest that risk perception is an important behavioural consideration in understanding how investors manage exposure in the equity futures market. Financial

intermediaries and investor-education agencies may therefore benefit from integrating risk-awareness components with practical risk-management training. Such an approach can contribute to more informed investment decisions and more sustainable participation in equity futures trading among individual investors in Kerala.

Conclusion

The study concluded that equity futures investors in Kerala possessed high levels of both risk perception and risk management practices. Significant differences were observed in risk perception and risk management practices across gender, age, educational qualification, occupation, and monthly income, indicating that investors' demographic backgrounds were associated with the manner in which they perceived and managed the risks of futures trading. The significant positive relationship between risk perception and risk management practices further showed that investors who recognised higher levels of risk tended to adopt risk-control measures more extensively. These findings emphasise that awareness of the inherent risks of leverage, volatility, margin requirements, and potential losses can contribute to more disciplined trading behaviour. Strengthening investor education relating to position sizing, leverage control, stop-loss mechanisms, diversification, and systematic trading strategies can therefore support more informed participation in the equity futures market. Overall, the study highlights the importance of combining appropriate risk awareness with effective risk management practices among individual equity futures investors.

References

- Grable, J. E. (2000). Financial risk tolerance and additional factors that affect risk taking in everyday money matters. *Journal of Business and Psychology*, 14(4), 1586-1595. <https://doi.org/10.1023/A:1022994314982>
- Hoffmann, A. O. I., Post, T., & Pennings, J. M. E. (2013). Individual investor perceptions and behavior during the financial crisis. *Journal of Banking & Finance*, 37(1), 1586-1595. <https://doi.org/10.1016/j.jbankfin.2012.08.007>
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 1586-1595. <https://doi.org/10.2307/1914185>
- National Stock Exchange of India Limited. (n.d.). *Equity derivatives - margins*. Retrieved September 3, 2026, from <https://www.nseindia.com/static/products-services/equity-derivatives-margins>

-
- Nguyen, L., Gallery, G., & Newton, C. (2019). The joint influence of financial risk perception and risk tolerance on individual investment decision-making. *Accounting & Finance*, 59(S1), 1586-1595. <https://doi.org/10.1111/acfi.12295>
- Sachse, K., Jungermann, H., & Belting, J. M. (2012). Investment risk - The perspective of individual investors. *Journal of Economic Psychology*, 33(3), 1586-1595. <https://doi.org/10.1016/j.joep.2011.12.006>
- Securities and Exchange Board of India. (2024, September 23). *Study - Analysis of profits & losses in the equity derivatives segment (FY22-FY24)*. https://www.sebi.gov.in/reports-and-statistics/research/sep-2024/study-analysis-of-profits-and-losses-in-the-equity-derivatives-segment-fy22-fy24-_86905.html
- Securities and Exchange Board of India. (2026a, August 20). *Study - Profitability of individual traders in the equity derivatives segment (FY25-FY26)*. https://www.sebi.gov.in/reports-and-statistics/research/aug-2026/study-profitability-of-individual-traders-in-the-equity-derivatives-segment-fy25-fy26-_103835.html
- Securities and Exchange Board of India. (2026b, August 20). *Study - Trading behaviour of individual traders in the equity derivatives segment (FY25-FY26)*. https://www.sebi.gov.in/reports-and-statistics/research/aug-2026/study-trading-behaviour-of-individual-traders-in-the-equity-derivatives-segment-fy25-fy26-_103836.html
- Slovic, P. (1987). Perception of risk. *Science*, 236(4799), 1586-1595. <https://doi.org/10.1126/science.3563507>