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Mediating Role of Risk Appetite between Investment Proficiency and Investor Perception on Investment Avenues

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ABSTRACT

The study investigates the mediating role of risk appetite between investment proficiency and investor perception among individual investors in Tiruchirappalli district. Utilizing purposive sampling, 487 investors were selected. Structural equation modeling and ANOVA techniques were employed to analyze relationships and demographic impacts on research variables. The study reveals that market forecasts, return prospects, and personal affluence significantly shape investment proficiency, guiding investment decisions effectively. The study highlights the substantial impact of investment proficiency on investor perception, elucidating the intricate dynamics between investor knowledge and market perception. Furthermore, the identification of partial mediation by risk appetite emphasizes the importance of implementing robust risk management strategies in shaping investor perceptions and decision-making processes. These findings offer valuable insights for investors and financial professionals, facilitating informed decision-making and risk mitigation strategies in investment endeavors.

KEYWORDS: : Risk Appetite, Investment Proficiency, Investor Perception, Investment Avenues, Market Forecasts.

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1. INTRODUCTION

Investors move around a spectrum of investment avenues, each category offering unique attributes and considerations. Financial assets, encompassing stocks, bonds, and derivatives, represent ownership or contractual claims on monetary value. Stocks, or shares, grant ownership in a company, entitling investors to dividends and voting rights. Bonds, on the other hand, signify debt obligations with periodic interest payments. Derivatives, such as options and futures, derive their value from an underlying asset. These sophisticated instruments allow investors to hedge risk or speculate on market movements (Venkataiah and Prakasha Rao, 2018). Mutual funds pool resources from multiple investors to invest in diversified portfolios of stocks, bonds, or both. This collective approach provides diversification and professional management, making it accessible for a wide range of investors. Physical assets, particularly real estate and precious metals, offer tangible investments. Real estate investments involve property acquisition for rental income or appreciation. Precious metals, like gold and silver, serve as a store of value and a hedge against inflation. Each avenue carries distinct risk-return profiles. Successful investment strategies often involve a balanced portfolio that aligns with an investor's risk tolerance, financial goals, and time horizon. As a result of realizing the characteristics of these investment avenues, investors can craft diversified portfolios that optimize returns while managing risk.

The dynamic connections among investment proficiency, risk appetite, and investor perception across various investment avenues gets significant attention in financial world. Investment proficiency, representing an investor's knowledge and competence in financial matters, and investor perception is the

ISSN 2231-6752

subjective assessment of diverse investment options (Sadiq, 2019). In this way, the risk appetite elucidates the pathways through which an investor's expertise influences their judgments. Risk appetite, indicating an investor's readiness to embrace uncertainties and potential losses, acts as the intermediary shaping perceptions of different investment opportunities. As financial environments present investors with diverse prospects and challenges, understanding how investment proficiency influences investor perception through risk appetite gains significance. The study aims to provide valuable insights into the psychological and decision-making aspects of investors, contributing to a comprehensive understanding of the relationships governing the diverse investment choices.

Investment Proficiency: Investment proficiency is a multifaceted competence that encompasses a range of skills and knowledge crucial for navigating the complexities of the financial background. Financial expertise in investment decisions serves as the bedrock, reflecting an investor's deep understanding of financial principles, investment instruments, and market dynamics. Investment skills are a key element of proficiency, representing the practical abilities required for strategic planning (Malmendier et al., 2020). Investors with improved skills can devise comprehensive investment strategies, taking into account risk tolerance, market trends, and the alignment of investments with overarching financial goals. These skills empower investors to make strategic choices, optimizing their portfolios for both short-term gains and long-term objectives. Market knowledge, another integral component, ensures that investors are well-informed in their decision-making. Acquiring insights into market trends, industry dynamics, and economic indicators enables investors to anticipate shifts, identify emerging opportunities, and make decisions grounded in the market environment (Gill, 2018).

Proficient strategies for successful investing demonstrate an investor's ability to formulate and execute strategies tailored to their financial objectives. The proficiency involves aligning investment choices with risk appetite, diversifying portfolios, and adapting strategies to market conditions, thereby maximizing the potential for favorable outcomes. Analytical competence is a critical dimension of investment proficiency, enabling investors to evaluate data comprehensively. Proficient investors possess the ability to analyze financial reports, assess market trends, and interpret data to make efficient decisions (Sivaramakrishnan et al., 2017). The analytical prowess is instrumental in identifying investment opportunities, managing risks, and optimizing returns. Investment proficiency empowers investors to navigate the complexities of the financial markets, fostering a strategic and informed approach to wealth creation and portfolio management.

Market Forecasts: Market forecasts serve as invaluable tools for financial decision-making, offering a glimpse into the future track of economic environment. Economic projections for upcoming years provide a foundational insight, allowing stakeholders to anticipate trends and strategically position themselves. These projections act as inspirations guiding investors through the dynamic currents of the market, helping them make informed decisions based on anticipated economic shifts. Trend predictions further enrich the market analysis, offering a detailed examination of emerging patterns and potential market directions. Investors and decision-makers leverage trend predictions to align their strategies with evolving market dynamics, staying ahead of the curve in a competitive environment (Aeknarajindawat, 2020). Market growth forecasts constitute a pivotal aspect of investment planning, offering a roadmap for capital deployment. These forecasts not only facilitate strategic investment decisions but also aid in risk assessment, enabling stakeholders to allocate resources judiciously in areas poised for substantial growth. Sector anticipations play a crucial role in decision-making, providing insights into the future prospects of specific industries. Investors rely on these anticipations to tailor their portfolios, aligning their assets with sectors expected to outperform, thus optimizing their chances for favorable returns. Their collective influence empowers investors and entities to navigate the intricate currents of the market

ISSN 2231-6752

with foresight, enabling strategic and well-informed choices that can ultimately shape the path of financial success (Reiter-Gavish et al., 2022).

Return Prospects: Return prospects in investments summarize a comprehensive evaluation of potential gains and financial outcomes, serving as a compass for strategic decision-making. Investment returns, a critical input for portfolio assessment, offer investors a quantitative measure of the profitability of their investments. As a result of gauging the performance of various assets within a portfolio, investors can make decisions about resource allocation, risk management, and the overall balance of their investment holdings. Profit potential in financial avenues represents a forward-looking assessment of the possible gains an investor may accrue in different financial instruments (Kusumaningrum et al., 2019). It enables investor to identify lucrative opportunities and align their investment strategies with avenues that exhibit promising profit potential. It serves as a guide for capital deployment, allowing investors to optimize their portfolios for maximum returns. Earnings forecasts play a crucial role in decision support, providing investors with insights into the expected financial performance of companies and assets. Investors utilize these forecasts to assess the potential returns associated with specific investments, enabling them to make decisions grounded in anticipated earnings paths (Premalatha and Manjunath, 2023). Return on investment stands as a key performance metric, facilitating a retrospective evaluation of the profitability of an investment relative to its cost. Investors leverage return on investment to gauge the efficiency of their capital deployment, aiding in the identification of successful ventures and areas for potential improvement.

Personal Affluence: Personal affluence forms the cornerstone of an investor’s financial well-being, encompassing various facets that collectively contribute to one’s economic prosperity. The assessment of wealth status within the context of financial evaluation provides a snapshot of an investor’s position within the economic spectrum. This tangible measure allows investors to gauge their relative financial standing, posing insights into the accumulation of assets, investments, and overall net worth (Chu et al., 2017). Financial well-being, extends beyond numerical assessments and examines into the holistic evaluation of an investor’s financial health. It summarizes factors such as income stability, budgetary management, and debt levels, providing a comprehensive understanding of how well an investor is positioned to meet both short-term and long-term financial goals. Monetary comfort representing the ease and assurance an investor experiences concerning their financial situation. It encompasses the sense of security derived from having sufficient resources to meet every day needs, manage unexpected expenses, and plan for future aspirations. Prosperity assessment offers a qualitative evaluation of an investor’s overall financial condition (Mathew and Kumar, 2022). It considers not only tangible assets but also the fulfillment of personal financial goals, aligning with investor aspirations, lifestyle choices, and future plans.

Risk Appetite: Risk appetite is a critical facet of an investor’s decision-making, encompassing various dimensions that influence how individuals approach and engage with risks in investments. Risk tolerance in investment planning serves as a foundational element, reflecting an investor’s capacity to endure fluctuations in the value of their investments without succumbing to panic or making impulsive decisions (Patil and Bagodi, 2021). Volatility patience emphasizing an investor’s ability to endure fluctuations and uncertainty in the market. Those with a higher level of volatility patience are more likely to adopt a long-term perspective, recognizing that market conditions may fluctuate, but holding steadfast to their investment strategy for sustained growth over time. Risk inclination representing an individual’s willingness to actively engage with risk. Investors with a higher risk inclination may be more open to exploring dynamic and potentially high-return investment opportunities, while those with a lower risk inclination may prefer conservative, stable options (Bashir, 2019). Active strategies involve hands-on management and a willingness to take calculated risks for potentially higher returns, while passive strategies involve a more laid-back approach, often aligning with lower risk tolerance.

Risk readiness is a proactive dimension of risk appetite, reflecting an investor's preparedness to engage with the market under various conditions. A high level of risk readiness implies a capacity to adapt strategies, seize opportunities, and navigate challenges with a forward-thinking mindset. Investment proficiency, reflecting an individual's expertise and skills in financial matters, influences how they analyze and approach different investment options. Risk appetite acts as a mediator, shaping the link between proficiency and perception (Sarkar and Sahu, 2018). Investors with higher proficiency may exhibit realization risks and rewards, but it's their risk appetite that determines how these insights translate into investment decisions. A strong risk appetite allows for a more adventurous and potentially high-return strategy, influencing how investors perceive and engage with diverse investment avenues.

The mediation elucidates that risk appetite serves as a crucial bridge, translating proficiency into actionable perceptions, and ultimately influencing the strategic choices investors make in the dynamic environment of investments.

Investor Perception: Investor perception is shaped by various inputs, reflecting an individual's attitude, intellectual capabilities, sentiment, emotional viewpoint, and yield expectations in the realm of investment decision-making. The attitude toward investment decision-making influences the overall approach an investor takes, whether they lean towards a conservative, risk-averse stance or embrace a more adventurous and high-risk strategy. Investors with strong analytical skills or intellectual capability can thoroughly analyze potential investments, assess risks, and make effective decisions (Gill et al., 2018). The cognitive ability contributes to knowing of market dynamics and empowers investors to navigate complex financial settings with confidence. Investor sentiment, representing the overall mood or outlook of investors, influences asset selection. Positive sentiment may drive investors towards riskier, higher-yield assets, while negative sentiment could lead to more conservative choices. Emotional viewpoint further contributes to this dynamic, as investors' emotional responses to market fluctuations can impact their decision-making process.

Yield expectations form a crucial component of investor perception, representing the anticipated returns an investor seeks from their investments. These expectations are influenced by factors such as risk tolerance, financial goals, and market conditions. Investors with higher yield expectations may be inclined towards riskier assets, seeking potentially higher returns. In essence, investor perception is a composite of cognitive, emotional, and strategic elements (Stalnacke, 2019). Attitudes, intellectual capabilities, sentiments, emotional responses, and yield expectations collectively shape how investors interpret and respond to investment opportunities. These factors highlight the complexity of investor decision-making and emphasizes the importance of considering both rational and emotional dimensions in the formulation of investment strategies (Isidore and Christie, 2018). Ultimately, investor perception serves as a lens through which individuals navigate the financial environment, make strategic choices, and pursue their financial objectives.

2. PROBLEM STATEMENT

The active interaction between investment proficiency, risk appetite, and investor perception on various investment avenues forms a complex landscape that demands exploration. While existing research recognizes the significance of each element individually, the intricate relationships among them remain understudied. The problem lies in the lack of comprehensive realization regarding how risk appetite mediates the relationship between investment proficiency and investor perception. Investors with

ISSN 2231-6752

diverse levels of proficiency may exhibit varying risk appetites, influencing how they perceive and engage with different investment avenues. An exploration of this mediation process is crucial for uncovering the nuanced decision-making mechanisms at play. The problem statement thus encapsulates the need to explore into the mediating role of risk appetite in shaping the perceptions of investors with varying degrees of investment proficiency, shedding light on the underlying factors that guide strategic choices within the realm of diverse investment avenues.

The research gap necessitates a focused investigation to enhance our comprehension of investor behavior, contributing valuable insights to both academic literature and practical investment strategies.

3. IMPORTANCE

The importance stems from a critical gap in realizing the relationships among investment proficiency, risk appetite, and investor perception on various investment avenues. While existing literature acknowledges the significance of each component in isolation, the interconnected nature of these factors remains insufficiently explored. This study is essential to bridge this gap by focusing on the mediating role of risk appetite. A deeper comprehension of how risk appetite acts as a mediator between investment proficiency and investor perception is crucial for enhancing our understanding of investor decision-making processes. Investors, with varying levels of proficiency, may exhibit diverse risk appetites, shaping their perceptions and choices within the spectrum of investment avenues. Investigating this mediation process will contribute valuable insights to academia, providing a nuanced understanding of investor behavior and decision-making strategies. Furthermore, the findings will have practical implications for financial professionals, offering guidance on tailoring investment advice and strategies to align with investors' individual profiles and preferences. Thus, the study addresses a significant research gap and holds the potential to inform both academic discourse and practical applications in the field of investments.

4. LITERATURE REVIEW

4.1 Socio-demographic profile and entrepreneurial success

The extensive review of literature is presented in different spheres of investment proficiency, risk appetite and investor perception. Market forecasts play a critical role in investment decisions (Boda and Sunitha, 2018). Investors often rely on economic projections, trend predictions, and growth forecasts to gauge potential returns. These forecasts guide asset allocation and portfolio strategies, influencing the overall investment climate. Return prospects are fundamental to investor decision-making (Kareem et al., 2023). Investors assess potential returns on their investments, considering factors such as profit potential, earnings forecasts, and overall return on investment. This evaluation informs their investment strategies and risk tolerance (Ammer and Aldhyani, 2022). Personal affluence, reflecting an individual's wealth status and financial well-being, shapes investment choices (Agarwal et al., 2022). Investors with higher personal affluence may have more diverse investment portfolios and risk tolerance, while those with limited affluence might prioritize conservative investment options (Kanagasabai and Aggarwal, 2020).

Investment proficiency demonstrating an individual's financial expertise and skills (Kewalee Mungngam, 2021). It is a key determinant of how investors approach the financial market. Proficient investors leverage their knowledge for strategic planning, market analysis, and informed decision-making. The importance of investment proficiency in shaping investment strategies and outcomes (Manjare, 2021). Investor perception involves subjective attitudes, intellectual capabilities, and emotional viewpoints in investment decision-making (Weixiang et al., 2022). Perception is a multifaceted aspect that encompasses

ISSN 2231-6752

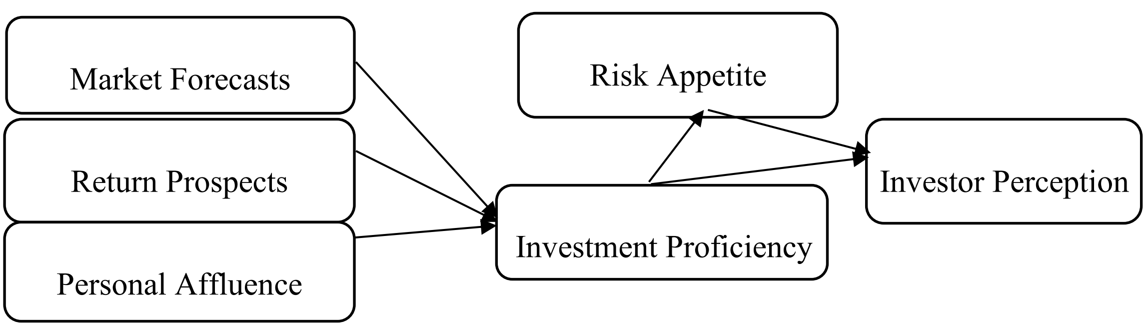
how investors interpret market conditions, assess risks, and respond to investment opportunities (Waheed et al., 2020). Individual investors' perceptions can significantly influence their investment choices and overall financial decision-making (Jayanthi and Saravanakumar, 2022). Risk appetite is a critical factor that mediates the relationship between investment proficiency and investor perception. Investors' tolerance for risk influences the decisions they make and the avenues they choose to invest in (Veena, 2018).

A higher level of investment proficiency may lead to a more information on risks, influencing an investor's risk appetite. Risk appetite can shape how investors perceive the potential returns and risks associated with different investment avenues (Bairagi and Chakraborty, 2018). The interaction between risk appetite, investment proficiency, and investor perception. Risk appetite acts as a mediator, influencing how investment proficiency translates into investor perception (Dutta et al., 2020). Investors with higher proficiency may exhibit a more balanced and informed risk appetite, leading to perception of investment opportunities (Saravanan and Viswaprakash, 2021). Younger, higher-income individuals with advanced education levels may exhibit a different interplay between these variables compared to older, lower-income investors with limited literacy (Lone and Bhat, 2022). The role of risk appetite between investment proficiency and investor perception can enhance the predictive power of models and improve the tailoring of investment advice (Mishra, 2019).

5. PURPOSE AND METHODS

The study initiated to assess the mediating role of risk appetite between investment proficiency and investor perception on investment avenues. The population for the present study is individual investors in Tiruchirappalli district. The study opted purposive sampling, accordingly, 487 investors are selected. The sample size exceeds the minimum level of 384 for a large population, as per the recommendations of Cochran's formula. Cause-and-effect research design is applied to check relationships among variables. Demographic insights are gleaned through simple percentage analysis, providing a complete examination of investors. Structural equation modeling is utilized to assess causal connections among variables like market forecasts, return prospects, personal affluence, risk appetite, investment proficiency, and investor perception. In order to explore the impact of demography on research variables, one-way ANOVA and post-hoc tests are executed. Ethical considerations are paramount, ensuring the study adheres to ethical standards throughout. The comprehensive methodology aims to illuminate the interaction of factors influencing investor behavior and decisions, contributing valuable insights to both academia and practical applications in investments. Literature review assisted to develop the ensuing conceptual framework and proposed relevant hypotheses to test.

Figure 1: Conceptual Framework



6. RESEARCH HYPOTHESES

H1: Antecedents have significant impact on research variables.

H2: Market forecasts, return prospects and personal affluence have significant impact on investment proficiency.

H3: Investment proficiency has significant impact on investor perception.

H4: Risk appetite has significant mediation impact between investment proficiency and investor perception.

H5: Demography of investors have significant impact on research variables.

7. RESULTS AND DISCUSSIONS

7.1. RESULTS AND DISCUSSIONS

The demography position of investors is presented in table 1.

Table 1: Demography Analysis

Demography	Classification	Frequency	Percent
Gender	Male	265	54.41
	Female	222	45.59
Age	Below 30 years	184	37.78
	30 - 50 years	244	50.10
	Above 50 years	59	12.12
Education	Below HSC	194	39.84
	UG Degree	140	28.75
	PG Degree	153	31.41
Annual Income	Below Rs.2,50,000	78	16.02
	Rs.2,50,000 –5,00,000	361	74.13
	Above Rs.5,00,000	48	9.85
Occupation	Business	182	37.37
	Employed	226	46.41
	Farmer/others	79	16.22

Table 1 illustrates the distribution of investors based on various demographic factors. It reveals that 54.41% of investors are male while 45.59% are female. In terms of age, 37.78% fall below 30 years, 50.10% are between 30 and 50 years old, and 12.12% are above 50 years old. Regarding education, 39.84% have completed up to HSC, 28.75% hold undergraduate degrees, and 31.41% possess postgraduate qualifications. In terms of annual income, 16.02% earn below Rs.2,50,000, 74.13% earn between Rs.2,50,000 and Rs.5,00,000, and 9.85% earn above Rs.5,00,000. Furthermore, in terms of occupation, 37.37% are involved in business, 46.41% are employed in the private or government sectors, while 16.22% include farmers, retired, and homemakers.

7.1. CAUSAL INTERACTIONS AMONG THE RESEARCH VARIABLES

The cause and effect interaction among the variables such as Market Forecasts (MFCT), Return Prospects (RPRS), Personal Affluence (PAFL), Investment Proficiency (IPFC), Risk Appetite (RAPP), and Investor Perception (IPCP) are examined. Accordingly, the observed, endogenous variables are MFCT1 – MFCT4, RPRS1 – RPRS4, PAFL1 – PAFL4, IPFC1 – IPFC5, RAPP1 – RAPP5, IPCP1 – IPCP5. The unobserved, endogenous variables are IPFC, RAPP and IPCP. The unobserved, exogenous variables are

MFCT, RPRS, PAFL and e1 – e27. The variables count is 60, observed variables are 27, unobserved variables are 33, exogenous variables are 30 and unobserved variables are 30. These variables are utilized to assess causal interactions, the structural equation model is portrayed in Figure 1 and corresponding path interactions are described in Table 2.

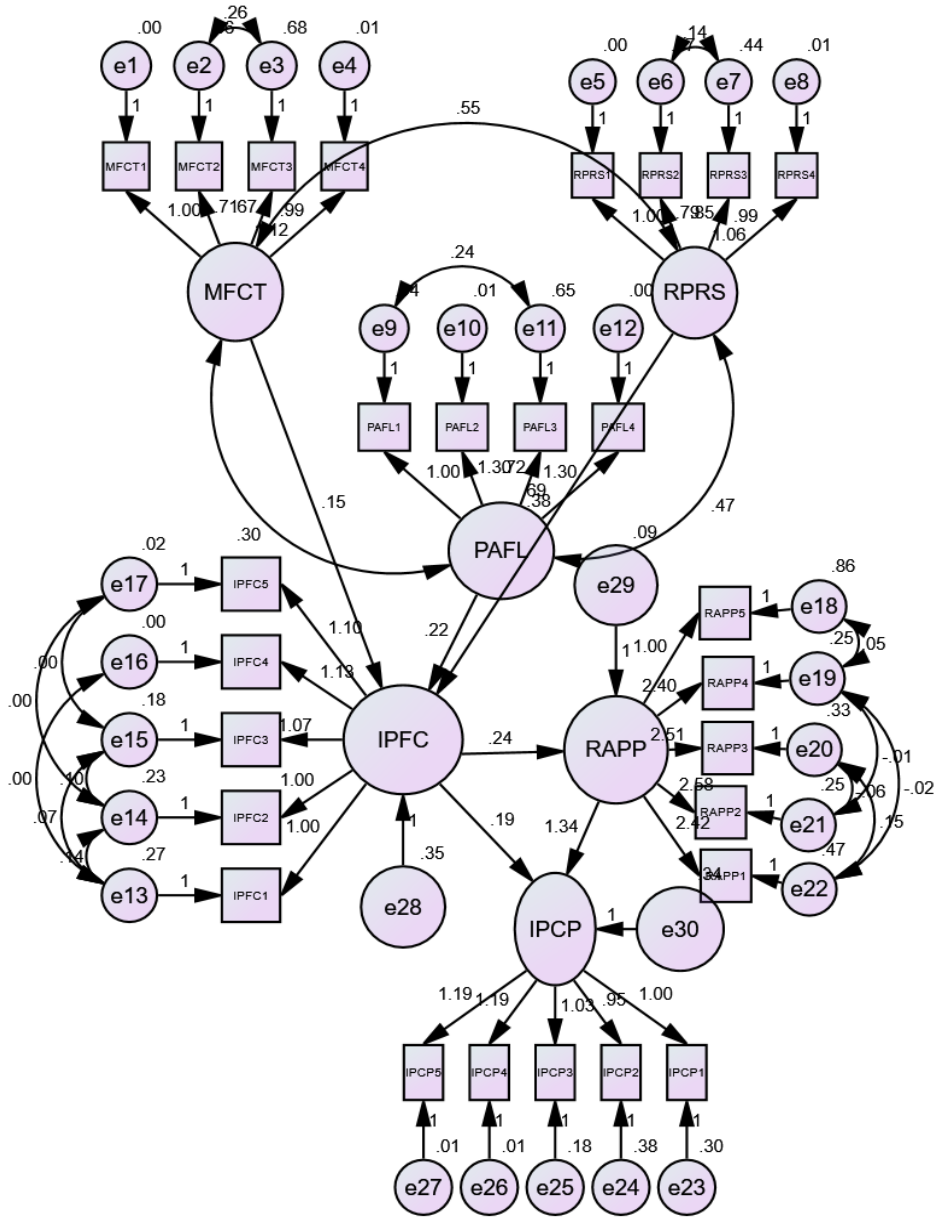


Table 2: SEM – Path Analysis

Path			Raw Estimate	Std. Estimate	t	p
MFCT1 - Economic projections for upcoming years	<---	MFCT	1.000	1.000		
MFCT2 - Trend predictions for market analysis	<---		.714	.709	22.099	***
MFCT3 - Market growth forecasts for investment	<---		.670	.650	18.831	***
MFCT4 - Sector anticipations for decision-making	<---		.990	.996	203.042	***

RPRS1 - Investment returns for portfolio assessment	<---	RPRS	1.000	1.000		
RPRS2 - Profit potential in financial avenues	<---		.787	.802	29.510	***
RPRS3 - Earnings forecasts for decision support	<---		.845	.796	28.912	***
RPRS4 - Return on investment for performance evaluation	<---		.995	.996	223.462	***
PAFL1 - Wealth status in financial assessment	<---	PAFL	1.000	.650		
PAFL2 - Financial well-being for personal evaluation	<---		1.300	.996	18.776	***
PAFL3 - Monetary comfort in financial health	<---		.721	.596	14.795	***
PAFL4 - Prosperity assessment for personal wealth	<---		1.298	.998	18.784	***
IPFC1 - Financial expertise in investment decisions	<---	IPFC	1.000	.852		
IPFC2 - Investment skills for strategic planning	<---		1.000	.872	37.838	***
IPFC3 - Market knowledge for informed decisions	<---		1.066	.904	32.828	***
IPFC4 - Proficient strategies for successful investing	<---		1.133	.998	34.951	***
IPFC5 - Analytical competence for data evaluation	<---		1.096	.987	33.790	***
RAPP5 - Risk tolerance in investment planning	<---	RAPP	1.000	.366		
RAPP4 - Volatility patience for risk management	<---		2.405	.869	8.146	***
RAPP3 - Risk inclination in decision-making	<---		2.515	.848	7.854	***
RAPP2 - Volatility patience for risk management	<---		2.577	.881	7.872	***
RAPP1 - Risk tolerance in investment planning	<---		2.417	.788	7.785	***
IPCP1 - Attitude toward investment decision-making	<---	IPCP	1.000	.837		
IPCP2 - Intellectual capability to analyze investments	<---		.949	.790	21.688	***
IPCP3 - Investor sentiment for asset selection	<---		1.031	.898	26.926	***
IPCP4 - Emotional viewpoint in investment strategy	<---		1.192	.997	33.413	***
IPCP5 - Yield expectations in investment planning	<---		1.190	.997	33.428	***
IPFC	<---	MFCT	.152	.188	5.042	***
IPFC	<---	RPRS	.380	.460	10.577	***
IPFC	<---	PAFL	.220	.214	5.340	***
RAPP	<---	IPFC	.241	.566	6.970	***
IPCP	<---	RAPP	1.345	.584	6.914	***
IPCP	<---	IPFC	.193	.197	4.679	***

**** Significant at 1%*

Subsequent to the computation of path relationships, the fit index values for the structural equation model are determined. The CMIN/df value for the structural model stands at 3.853, which falls below the benchmark level of 3 - 5. Similarly, the RMSEA value is 0.055, comfortably below the benchmark level of 0.06. Additionally, the goodness of fit values, with 0.943 for GFI and 0.903 for AGFI, along with baseline comparison values such as 0.945 for NFI, 0.959 for CFI, 0.959 for IFI, 0.936 for RFI, and 0.952 for TLI, surpass the benchmark level of 0.9. These outcomes from the fit indices affirm that the structural equation model exhibits a strong fit with the data.

Table 2 presents that the p-values assigned to all paths concerning market forecasts, return prospects, personal affluence, investment proficiency, risk appetite, and investor perception, all of which are significant at the 1% level. These values strongly support the hypothesis (H1.1), indicating that the antecedents have a significant impact on the research variables. Economic projections for the forthcoming years emerge as the most prominent aspect, whereas market growth forecasts for investment represent the least important aspect within market forecasts of investments. Return prospects for portfolio assessment constitute the prime facet, while earnings forecasts for decision support represent the least important facet concerning return prospects in investments. The evaluation of personal wealth for prosperity assessment stands out as the main factor, with monetary comfort in financial health playing the smallest role in personal affluence among investors. Investment proficiency is predominantly shaped by proficient strategies for successful investing, while financial expertise in investment decisions applies minimal influence on investment proficiency. Risk appetite primarily hinges on volatility patience for risk management, whereas risk tolerance in investment planning plays a minor role in determining risk appetite. Investor perception is largely driven by yield expectations in investment planning, with intellectual capability to analyze investments providing minimal support. These findings elucidate the intricate dynamics shaping investor behavior and decision-making processes.

The findings support (H1.2) by highlighting the significant influence of market forecasts, return prospects, and personal affluence on investment proficiency. According to the coefficients, a one-unit increase in market forecasts leads to a 0.152-unit increase in investment proficiency, while a one-unit increase in return prospects results in a 0.380-unit increase, and a one-unit increase in personal affluence leads to a 0.220-unit increase in investment proficiency. The p-values associated with market forecasts, return prospects, and personal affluence on investment proficiency are all significant at the 1% level, affirming their substantial impact on investment proficiency. Furthermore, the coefficients indicating the influence of investment proficiency on investor perception reveal that a one-unit increase in investment proficiency corresponds to a 0.193-unit increase in investor perception. These results provide confirmation for hypothesis (H1.3), indicating that investment proficiency significantly affects investor perception on investment avenues. Overall, market forecasts, return prospects, and personal affluence actively contribute to enhancing the investment proficiency of investors, which, in turn, influences their perception.

7.3 MEDIATION IMPACT OF RAPP BETWEEN IPFC AND IPCP

The mediation impact of risk appetite between investor proficiency and investor perception of investors are analyzed. The hypothesis (H1.4) declares that risk appetite has significant mediation impact between investment proficiency and investor perception.

Table 3: RAPP between IPFC and IPCP

Effect	Path			Estimate	p
Mediating Path (A)	RAPP	<---	IPFC	.241	***
Direct	IPCP	<---	IPFC	.193	***
Mediating Path (B)	IPCP	<---	RAPP	1.345	***

Table 3 illustrates the direct impact of investment proficiency on investor perception, calculated at 0.193. To explore the mediating effect, the value for the mediating path from investment proficiency to risk appetite is determined as 0.241, and from risk appetite to investor perception as 1.345. Consequently, the computed mediating value is 0.324145, with the total effect observed at 0.517145. This yields an ascertained variance of 0.6268, surpassing 0.2, indicating the presence of partial mediation. Therefore, it can be deduced that risk appetite exhibits significant partial mediating influence between investment proficiency and investor perception.

7.4 IMPACT OF DEMOGRAPHY ON RESEARCH VARIABLES

The impact of demography of investors on market forecasts, return prospects, personal affluence, risk appetite, investment proficiency, and investor perception is analyzed by utilizing One-way ANOVA (t-test for gender) and post-hoc test is executed to test significant results. The hypothesis declares that (H1.5) demography of investors have significant impact on research variables.

Table 4: One-Way ANOVA

Constructs	Gender		Age		Education		Annual Income		Occupation	
	t	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.
MFCT	-.922	.357	.215	.807	3.551	.029**	10.935	.000***	.091	.913
RPRS	.746	.456	11.403	.000***	5.603	.004***	11.935	.000***	12.485	.000***
PAFL	2.009	.045**	9.046	.000***	7.079	.001***	11.781	.000***	13.204	.000***
IPFC	.438	.662	5.939	.003***	2.799	.062	12.436	.000***	.540	.583
RAPP	1.984	.048**	2.075	.127	6.792	.001***	15.637	.000***	.601	.548
IPFC	.430	.667	5.593	.004***	2.790	.062	8.202	.000***	1.308	.271

***** Significant at 1%, ** Significant at 5%*

Table 4 illustrates the significant influences of demographic factors on various constructs, with gender exhibiting a significant influence on personal affluence and risk appetite at a 5% significance level, while having no impact on other constructs. Age demonstrates significant effects on return prospects, personal affluence, investment proficiency, and investor perception at a 1% significance level. The Gabriel post-hoc test yielded two equivalent subsets for individuals aged 30 – 50 years in subset a; and those below 30 years and above 50 years in subset b for return prospects and personal affluence. Similarly, it generated two equivalent subsets for those below 30 years and aged 30 – 50 years in subset a; and those above 50 years in subset b for investment proficiency and investor perception. Education exhibits a significant effect on market forecasts at a 5% level, and on return prospects, personal affluence, and risk appetite at a 1% significance level. The Hochberg post-hoc test produced three equivalent subsets for individuals with undergraduate degrees in subset a; those below HSC in subsets a,b; and those with postgraduate degrees in subset b for market forecasts. It also generated two equivalent subsets for undergraduate degree holders in subset a; and postgraduate degree holders and those below HSC in subset b for return prospects and personal affluence. Additionally, the test generated two equivalent subsets for individuals with undergraduate degrees and those below HSC in subset a; and those with postgraduate degrees in subset b for risk appetite. Annual income demonstrates a significant effect on all constructs at a 1% significance level. The Student-Newman-Keuls post-hoc test yielded two equivalent subsets for incomes below Rs.2,50,000 and between Rs.2,50,000 – 5,00,000 in subset a; and those above Rs.5,00,000 in subset b for market forecasts, return prospects, personal affluence, investment proficiency, risk appetite, and investor perception. Occupation significantly influences return prospects and personal affluence at a 1% significance level, with the Gabriel post-hoc test generating two equivalent subsets for individuals engaged in business and employed in subset a; and farmers/others in subset b for return prospects and personal affluence.

8. CONCLUSION

The investigation delves into the relationship among investment proficiency, risk appetite, and investor perception, highlighting the mediating role of risk appetite. It offers valuable insights for investors, enabling them to make more informed decisions regarding investment avenues. As a result of realizing how risk appetite mediates between proficiency and perception, investors can tailor strategies to mitigate risks effectively while optimizing investment outcomes. The study emphasizes the pivotal role of demographic factors such as gender, age, education, income, and occupation in shaping investor behavior and decision-making processes within financial markets. These factors exhibit significant variations, emphasizing their importance as determinants of investment strategies and risk perceptions. Furthermore, the study highlights the influential role of antecedents on research constructs like market forecasts, return prospects, personal affluence, investment proficiency, risk appetite and investor perception. Similar to that market forecasts, return prospects, and personal affluence plays crucial role in shaping investment proficiency. The findings reveal a strong link between these factors and investment proficiency, indicating their crucial role in guiding investment decisions.

Moreover, the study emphasizes the significant impact of investment proficiency on investor perception, elucidating the dynamics between investor knowledge and market perception. Therefore, it confirms that market forecasts, return prospects, and personal affluence actively contribute to enhancing investors' investment proficiency, which subsequently influences their perception of investments. Additionally, the identification of partial mediation by risk appetite emphasizes the importance of risk management strategies in shaping investor perceptions with regard to decision-making processes. The findings highlight that gender emerges as a significant determinant, exerting notable influence particularly on personal affluence and risk appetite. Similarly, age plays a pivotal role, with significant effects observed across multiple dimensions including return prospects, personal affluence, investment proficiency, and investor perception. Education also appears as a significant predictor, with its influence extending across market forecasts, return prospects, personal affluence, and risk appetite. Furthermore, annual income demonstrates a substantial effect across a wide range of factors including market forecasts, return prospects, personal affluence, investment proficiency, risk appetite, and investor

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perception. Occupation, while less pronounced in its impact compared to other demographic factors, still significantly influences return prospects and personal affluence.

9. RESEARCH IMPLICATIONS

Realizing the mediating role of risk appetite between investment proficiency and investor perception holds significant implications for research and practice in finance. Firstly, it sheds light on the psychological mechanisms underlying investor decision-making, providing a deeper understanding of how risk perception influences investment behavior. Secondly, it offers practical insights for investors and financial professionals, allowing them to develop more effective risk management strategies tailored to individual risk appetites. Additionally, this research can inform the design of investor education programs aimed at improving financial literacy and risk awareness. Moreover, the findings contribute to the advancement of theoretical frameworks in finance by elucidating the complex interaction between cognitive factors and investment decisions, thus paving the way for further empirical investigation in this domain.

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