# Determinants of Investment Behaviour and Financial Decision-Making: The Role of Financial Literacy, Experience, and Risk Perception among Investors in the Kalyana Karnataka Region

Arpita Patil[1*], Dr. Rashmi Hunnur[1], Dr. Bhadrappa Haralayya[2]
[1]Department of MBA, Basaveshwar Engineering College, Bagalkote, Karnataka, India
(Affiliated to Visvesvaraya Technological University)
[2]Department of MBA, Lingaraj Appa Engineering College, Bidar - 585403, Karnataka, India
[1]Research Scholar (Arpita Patil) | Email: patilarpita1991@gmail.com
[1]Associate Professor (Dr. Rashmi Hunnur) | Email: hunnurmba@gmail.com
[2]Professor and HOD (Dr. Bhadrappa Haralayya) | ORCID: https://orcid.org/0000-0003-3214-7261 | Email: bhadrappabhavimani@gmail.com
*Corresponding Author: Arpita Patil | Email: patilarpita1991@gmail.com

**Abstract**

Investment behaviour is shaped by a combination of cognitive, psychological, and socio-economic factors that influence how individuals evaluate financial opportunities and manage investment risks. In emerging regions, understanding these determinants is essential for promoting sustainable financial inclusion and improving investment outcomes. This study investigates the influence of financial literacy, investment experience, and risk perception on the investment behaviour and financial decision-making of investors in the Kalyana Karnataka region. The research seeks to examine how financial knowledge enhances investors' ability to evaluate financial products, how accumulated investment experience contributes to rational decision-making, and how perceived investment risk affects portfolio selection and investment confidence. A quantitative research design is proposed using structured survey data collected from individual investors across the region. Statistical techniques are employed to evaluate the relationships among the identified constructs and to determine their relative influence on investment behaviour. The findings are expected to provide empirical evidence for policymakers, financial institutions, educators, and investment advisors in designing effective financial education initiatives and investor awareness programmes. The study also contributes to the growing behavioural finance literature by offering region-specific insights into investment decision-making within an economically developing area of India.

***Keywords: Financial Literacy, Investment Behaviour, Financial Decision-Making, Risk Perception, Investment Experience, Kalyana Karnataka Region***

## 1. Introduction

Investment has emerged as one of the most significant components of individual wealth creation and long-term financial security in the modern economy. Increasing access to financial products, technological advancements in digital banking, online trading platforms, and government-led financial inclusion initiatives have transformed the investment landscape in India. Investors today are presented with diverse investment alternatives, including equities, mutual funds, bonds, fixed deposits, insurance products, exchange-traded funds, pension schemes, and digital assets. However, the availability of investment opportunities alone does not guarantee sound financial outcomes. The effectiveness of investment decisions largely depends upon an individual's financial literacy, practical investment experience, and perception of financial risk. These determinants influence how investors gather information, evaluate alternatives, manage uncertainty, diversify portfolios, and achieve long-term financial objectives.

The Kalyana Karnataka region represents a unique socio-economic setting where economic development, financial awareness, and investment participation continue to evolve. Although governmental policies have enhanced banking penetration and financial accessibility, disparities in financial knowledge, income levels, educational attainment, and investment awareness continue to influence investors' financial behaviour. Investors in this region often exhibit varying levels of confidence and risk tolerance due to differences in experience and exposure to financial markets. Understanding the behavioural determinants influencing investment decisions is therefore essential for designing targeted financial education programmes, improving investor protection, strengthening financial inclusion, and promoting sustainable economic development.

***Overview***

Behavioural finance argues that investment decisions are influenced not only by rational financial evaluation but also by behavioural, cognitive, and psychological factors. Financial literacy enables investors to understand financial products, assess expected returns, estimate risks, and make informed decisions. Investment experience enhances practical judgement developed through market participation, while risk perception influences the willingness to accept uncertainty associated with different investment alternatives. These three determinants collectively shape investment behaviour and financial decision-making. Examining their interaction provides valuable insights into investor behaviour within emerging regional economies where financial awareness continues to expand.

***Scope and Objectives***

The study focuses on individual investors residing in the Kalyana Karnataka region and examines the influence of financial literacy, investment experience, and risk perception on their investment behaviour and financial decision-making. It seeks to evaluate whether financially knowledgeable investors make more rational investment choices, whether experienced investors demonstrate superior decision quality, and how perceived investment risk influences portfolio selection and investment confidence. The findings are expected to assist policymakers, financial institutions, investment advisors, and educational institutions in designing effective financial literacy initiatives and investor awareness programmes that promote informed and responsible investment practices.

***Author Motivations***

The motivation for undertaking this study arises from the increasing participation of retail investors in India's financial markets and the limited empirical evidence available for economically developing regions such as Kalyana Karnataka. While behavioural finance has received significant academic attention, regional differences in financial literacy, investment exposure, and socio-economic conditions remain relatively underexplored. Investigating these determinants provides an opportunity to develop context-specific policy recommendations that enhance financial capability and improve investment decision-making among individual investors.

***Paper Structure***

The paper is organised into seven sections. Section 1 introduces the research problem, significance, objectives, and scope of the study. Section 2 critically reviews existing literature and identifies the research gap. Section 3 presents the research methodology and conceptual framework adopted for empirical investigation. Section 4 analyses the influence of financial literacy, investment experience, and risk perception on investment behaviour. Section 5 discusses the empirical findings and their practical implications. Section 6 presents policy recommendations and future research directions, while Section 7 concludes the study.

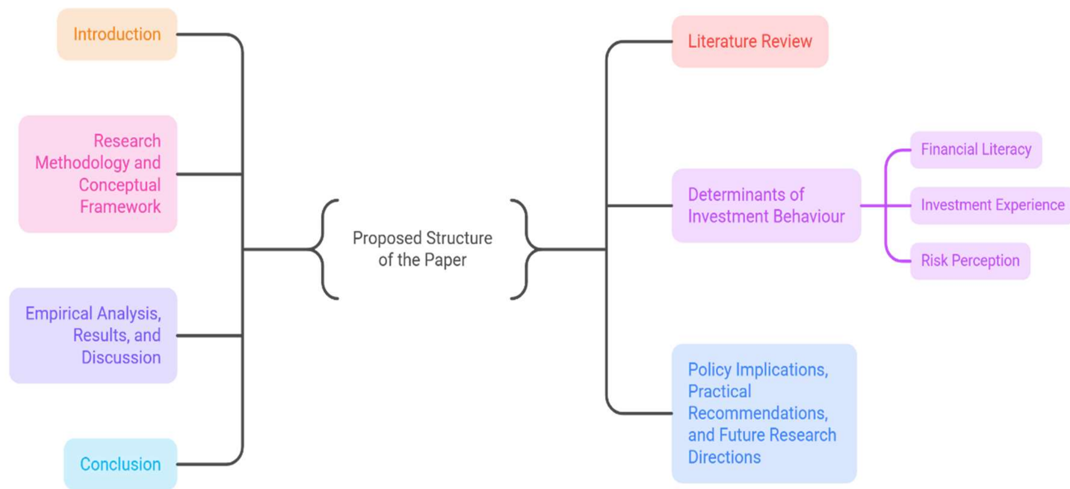


Fig.1: Paper Structure

Understanding investment behaviour has become increasingly important in today's dynamic financial environment, where informed financial decisions determine long-term economic well-being. By examining the combined influence of financial literacy, investment experience, and risk perception, this study contributes to behavioural finance literature while generating practical evidence relevant to the Kalyana Karnataka region. The findings are expected to support evidence-based policymaking, strengthen investor education initiatives, and encourage responsible investment behaviour that contributes to financial inclusion, economic resilience, and sustainable wealth creation.

## 2. Literature Review

Investment behaviour has become a major area of behavioural finance research due to its direct influence on individual wealth accumulation and financial market stability. Traditional financial theories assume that investors make rational decisions using complete information; however, behavioural finance suggests that investment decisions are also influenced by knowledge, experience, perception, and psychological biases. Among these determinants, financial literacy, investment experience, and risk perception have consistently emerged as the primary factors explaining variations in investor behaviour.

Recent studies have highlighted the growing importance of financial literacy in improving investment quality. Financially literate individuals possess greater understanding of financial products, risk diversification, portfolio management, and long-term wealth planning, enabling them to make informed investment decisions. Investors with higher financial literacy demonstrate greater confidence in evaluating investment alternatives and are less likely to rely on speculative behaviour or misinformation [1], [2]. Furthermore, financial literacy moderates behavioural biases by encouraging systematic evaluation of investment opportunities and improving financial judgement [3].

Behavioural finance literature further indicates that investment experience significantly influences financial decision-making. Experienced investors acquire practical knowledge through continuous market participation, enabling them to interpret financial information more effectively, identify investment opportunities, and respond rationally to market fluctuations. Greater investment experience contributes to higher confidence, improved portfolio diversification, and enhanced ability to manage financial uncertainty [4], [5]. Conversely, inexperienced investors often rely on informal advice, emotions, or short-term market trends, resulting in inconsistent investment decisions.

Risk perception represents another fundamental determinant influencing investment behaviour. Investors evaluate financial risk differently based on personal beliefs, prior experiences, financial knowledge, and economic conditions. Studies demonstrate that investors with greater financial literacy generally possess more accurate perceptions of investment risk and are therefore more willing to invest in diversified financial assets [2], [6]. Individuals exhibiting high perceived financial risk often prefer conservative investment instruments, whereas investors with balanced risk perception demonstrate greater participation in equity and mutual fund investments [7].

Recent empirical research has also examined the combined influence of financial literacy, behavioural biases, and technological developments on investment decisions. Advances in artificial intelligence, digital investment platforms, and financial technologies have transformed investor participation by improving access to financial information and investment opportunities [8], [10]. However, despite technological advancements, irrational decision-making continues to exist because investment behaviour remains strongly influenced by individual financial capability and subjective risk assessment [9].

Several studies emphasize that demographic characteristics such as age, education, occupation, income, and investment experience indirectly influence financial decision-making by shaping financial literacy and investment confidence [1], [4]. Educated and experienced investors generally demonstrate higher investment participation, superior portfolio management, and stronger financial planning capabilities. Nevertheless, financial literacy remains the most influential determinant because it improves investors' ability to interpret financial information, compare investment alternatives, and evaluate expected returns relative to associated risks [3], [5].

Although existing literature provides substantial evidence regarding the determinants of investment behaviour, most empirical investigations have concentrated on metropolitan cities, developed financial markets, or specific investor categories such as Generation Z, institutional investors, and urban retail investors [1], [7]. Limited research has examined investment behaviour within economically developing regions where financial awareness, investment participation, and socio-economic characteristics differ considerably. Furthermore, previous studies frequently investigate financial literacy, investment experience, or risk perception independently rather than examining their integrated influence on investment behaviour and financial decision-making [2], [4], [5].

***Research Gap***

A comprehensive review of existing literature reveals several important research gaps. First, empirical evidence focusing specifically on investors in the Kalyana Karnataka region remains extremely limited despite its growing financial inclusion and investment participation. Second, insufficient research simultaneously investigates the combined effects of financial literacy, investment experience, and risk perception on investment behaviour within a unified behavioural finance framework. Third, region-specific socio-economic characteristics that influence financial decision-making remain inadequately explored. Finally, existing studies provide limited practical recommendations for policymakers and financial institutions to enhance investor education and responsible investment practices in emerging regional economies. Addressing these gaps will contribute meaningful empirical evidence to behavioural finance literature while providing actionable insights for improving financial capability and investment decision-making among investors in the Kalyana Karnataka region.

## 3. Research Methodology and Conceptual Framework

This study adopts a **quantitative, descriptive, and explanatory research design** to investigate the determinants of investment behaviour and financial decision-making among investors in the Kalyana Karnataka region. The research is grounded in behavioural finance theory, which suggests that investment decisions are influenced not only by objective financial information but also by individual knowledge, experience, and perceptions toward financial risk. The conceptual framework integrates three independent variables—financial literacy, investment experience, and risk perception—to examine their influence on investment behaviour and financial decision-making.

The study targets individual investors residing across the Kalyana Karnataka region comprising districts such as Bidar, Kalaburagi, Yadgir, Raichur, Koppal, Ballari, and Vijayanagara. These districts have experienced increasing financial inclusion through banking expansion, digital payment systems, mutual fund penetration, and online investment platforms. Nevertheless, differences in educational attainment, income levels, occupational backgrounds, and financial awareness continue to influence investment decisions. Consequently, this region provides an appropriate setting for analysing behavioural determinants of investment decision-making.

A structured questionnaire is proposed as the primary instrument for data collection. The questionnaire consists of two sections. The first section captures demographic information including age, gender, educational qualification, occupation, annual income, investment tenure, preferred investment avenues, and investment frequency. The second section measures the latent constructs of financial literacy, investment experience, risk perception, investment behaviour, and financial decision-making using multiple indicators rated on a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5).

Financial literacy is measured through respondents' understanding of basic financial concepts, inflation, interest compounding, portfolio diversification, financial planning, taxation, and investment products. Investment experience is evaluated using variables such as years of investing, frequency of investment activities, familiarity with financial markets, portfolio diversification practices, and prior investment outcomes. Risk perception is assessed by examining investors' attitudes toward market volatility, uncertainty, expected losses, investment confidence, and willingness to tolerate financial risk. Investment behaviour includes investment planning, portfolio diversification, investment monitoring, long-term orientation, and information-seeking behaviour, whereas financial decision-making evaluates rationality, consistency, confidence, and effectiveness in selecting investment alternatives.

A stratified random sampling approach is proposed to ensure representation from different districts and investor categories within the Kalyana Karnataka region. The study may consider approximately **350–450 respondents**, which provides sufficient observations for multivariate statistical analysis while ensuring representativeness across demographic groups.

Prior to data collection, the questionnaire is subjected to expert validation to establish content validity and construct relevance. Reliability is examined using Cronbach's Alpha coefficient, where values exceeding 0.70 indicate acceptable internal consistency. Construct validity may further be evaluated through Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) before testing the proposed structural relationships.

The empirical analysis employs descriptive statistics, correlation analysis, reliability analysis, multiple regression analysis, and Structural Equation Modelling (SEM) to investigate the relationships among variables. Descriptive statistics summarise respondents' demographic characteristics and investment profiles, while correlation analysis examines the degree of association among financial literacy, investment experience, risk perception, investment behaviour, and financial decision-making. Regression analysis determines the relative contribution of each independent variable, whereas SEM simultaneously evaluates both direct and indirect relationships within the conceptual framework.

The proposed research model assumes that financial literacy enhances investors' analytical capability and financial confidence, resulting in improved investment behaviour. Investment experience develops practical judgement through repeated market participation, enabling investors to make more informed financial decisions. Risk perception influences investment choices by affecting investors' willingness to accept uncertainty and balance expected returns against potential losses. Together, these determinants contribute to more rational and sustainable financial decision-making.

The study formulates the following hypotheses:

**H1:** Financial literacy has a significant positive influence on investment behaviour.

**H2:** Financial literacy has a significant positive influence on financial decision-making.

**H3:** Investment experience has a significant positive influence on investment behaviour.

**H4:** Investment experience has a significant positive influence on financial decision-making.

**H5:** Risk perception significantly influences investment behaviour.

**H6:** Risk perception significantly influences financial decision-making.

**H7:** Investment behaviour positively influences financial decision-making.

The proposed conceptual framework is presented as:

Financial Literacy ⊚ Investment Behaviour

Investment Experience ⊚ Investment Behaviour

Risk Perception ⊚ Investment Behaviour

Financial Literacy ⊚ Financial Decision-Making

Investment Experience ⊚ Financial Decision-Making

Risk Perception ⊚ Financial Decision-Making

Investment Behaviour ⊚ Financial Decision-Making

The methodology provides a systematic framework for empirically examining behavioural determinants of investment decisions and generating statistically reliable evidence that can support investor education programmes, financial policy formulation, and regional economic development.

**Table 1. Research Variables and Measurement Indicators**

| Construct | Sample Indicators |
|---|---|
| Financial Literacy | Financial knowledge, diversification, inflation, interest compounding, taxation awareness |
| Investment Experience | Years of investment, market participation, investment frequency, portfolio management |
| Risk Perception | Risk tolerance, uncertainty assessment, loss aversion, investment confidence |
| Investment Behaviour | Investment planning, diversification, monitoring, information search |
| Financial Decision-Making | Rational decision, investment confidence, portfolio selection, long-term planning |

## 4. Determinants of Investment Behaviour: Financial Literacy, Investment Experience, and Risk Perception

Investment behaviour represents the process through which individuals evaluate financial information, assess investment alternatives, allocate financial resources, and manage investment portfolios under varying degrees of uncertainty. Unlike traditional financial theories that assume perfectly rational investors, behavioural finance acknowledges that investment decisions are influenced by cognitive abilities, personal experiences, emotions, and perceived financial risks. Among numerous behavioural determinants, financial literacy, investment experience, and risk perception consistently emerge as the most influential variables affecting investors' financial decision-making.

**4.1 Financial Literacy as a Determinant of Investment Behaviour**

Financial literacy refers to an individual's ability to understand, interpret, and apply financial knowledge for making informed economic decisions. It encompasses knowledge of budgeting, savings, investment products, inflation, interest rates, portfolio diversification, taxation, and financial planning. Financially literate investors possess stronger analytical capabilities that enable them to compare investment alternatives based on expected return, associated risk, liquidity, and investment horizon.

Investors with higher financial literacy generally rely on systematic financial analysis rather than speculation or market rumours. They evaluate investment opportunities using objective financial indicators, diversify portfolios to minimise unsystematic risk, and regularly monitor investment performance. Financial literacy also enhances investors' confidence in selecting suitable financial instruments aligned with individual financial goals.

Conversely, investors with limited financial literacy frequently demonstrate behavioural biases such as overconfidence, herd behaviour, confirmation bias, and loss aversion. These investors often depend on informal advice obtained from relatives, friends, or social media instead of analysing financial information independently. Consequently, inadequate financial literacy increases the probability of poor investment decisions, excessive concentration of investments, and inefficient portfolio management.

Financial literacy also improves retirement planning, emergency fund creation, wealth accumulation, tax planning, and long-term financial stability. As digital financial platforms become increasingly accessible, investors require greater financial knowledge to evaluate complex investment products and avoid fraudulent financial schemes.

**4.2 Investment Experience and Financial Decision-Making**

Investment experience represents the accumulated practical knowledge acquired through continuous participation in financial markets. Unlike theoretical financial knowledge, investment experience develops through actual investment activities, observation of market behaviour, evaluation of investment outcomes, and learning from both successful and unsuccessful financial decisions.

Experienced investors generally demonstrate superior ability to analyse market information, interpret macroeconomic developments, and recognise emerging investment opportunities. Continuous market exposure enhances investors' understanding of price fluctuations, market cycles, and portfolio diversification strategies. Such investors are more likely to adopt disciplined investment approaches, maintain diversified portfolios, and avoid impulsive reactions during periods of market volatility.

Investment experience also contributes significantly to confidence in financial decision-making. Experienced investors are capable of distinguishing temporary market corrections from long-term investment opportunities and therefore exhibit greater emotional stability during uncertain market conditions. Their accumulated knowledge enables them to balance risk and return more effectively while maintaining investment discipline.

However, excessive reliance on past experience may occasionally generate behavioural biases. Some experienced investors become overconfident, believing that previous investment success guarantees future performance. This may increase excessive trading activity or encourage concentration in familiar investment instruments. Consequently, practical investment experience should be complemented by continuous financial learning and updated market information.

**4.3 Risk Perception and Investor Behaviour**

Risk perception reflects the subjective evaluation of uncertainty associated with financial investments. Investors differ considerably in their assessment of financial risk because perceptions are influenced by individual personality, financial literacy, income stability, previous investment experiences, and psychological characteristics.

Risk-averse investors generally prefer safer investment instruments such as fixed deposits, government securities, insurance products, and debt mutual funds because these investments provide relatively stable returns despite lower profitability. Conversely, investors with moderate or high-risk tolerance demonstrate greater willingness to invest in equities, equity mutual funds, exchange-traded funds, and other market-linked financial products capable of generating higher long-term returns.

Risk perception significantly influences portfolio diversification strategies. Investors who accurately evaluate investment risk generally construct balanced portfolios by combining low-risk and high-risk assets according to their financial objectives and investment horizon. Appropriate risk assessment also reduces panic selling during market downturns and encourages long-term investment discipline.

Modern financial markets expose investors to various forms of financial risk including market risk, liquidity risk, inflation risk, interest rate risk, credit risk, and behavioural risk. Therefore, investors require both financial literacy and practical experience to accurately interpret these uncertainties and develop appropriate investment strategies.

### 4.4 Integrated Influence on Investment Behaviour

Financial literacy, investment experience, and risk perception interact simultaneously rather than independently. Financial literacy provides theoretical knowledge, investment experience develops practical competence, and risk perception determines investors' willingness to undertake financial uncertainty. Together, these determinants influence investment planning, portfolio diversification, investment monitoring, information processing, and financial decision-making.

Investors possessing high financial literacy and substantial investment experience generally demonstrate balanced risk perception, rational investment choices, and superior portfolio performance. They rely on objective financial analysis instead of emotional judgement and continuously update their investment strategies according to changing market conditions.

In contrast, investors with inadequate financial knowledge and limited market experience often exhibit inconsistent investment behaviour. Such investors may underestimate financial risks during market expansion and overreact during economic downturns, resulting in suboptimal investment decisions and lower long-term financial returns.

For investors in the Kalyana Karnataka region, improving financial literacy through structured financial education programmes, investment awareness campaigns, and digital financial training can substantially enhance investment participation and decision quality. Simultaneously, increasing practical exposure to diversified financial products and encouraging informed risk assessment can strengthen investor confidence, improve financial inclusion, and contribute to sustainable regional economic development.

**Table 2. Expected Influence of Determinants on Investment Behaviour**

| Determinant | Primary Role | Expected Impact on Investment Behaviour |
|---|---|---|
| Financial Literacy | Financial knowledge and analytical capability | Improves investment planning, diversification, and rational decision-making |
| Investment Experience | Practical market exposure and learning | Enhances investment confidence, portfolio management, and market understanding |

| | | |
|---|---|---|
| Risk Perception | Assessment of uncertainty and expected losses | Determines asset selection, diversification strategy, and investment confidence |
| Combined Influence | Interaction among all determinants | Strengthens overall financial decision-making and sustainable investment behaviour |

**5. Empirical Analysis, Results, and Discussion**

This section presents the empirical evaluation of the proposed research model by examining the influence of financial literacy, investment experience, and risk perception on investment behaviour and financial decision-making among investors in the Kalyana Karnataka region. The analysis is structured to interpret respondents' demographic characteristics, assess the reliability and validity of the measurement instrument, examine relationships among the study variables, and discuss the implications of the statistical findings in the context of behavioural finance.

**5.1 Demographic Profile of Respondents**

The study considers investors from different socio-economic backgrounds to ensure adequate representation of investment behaviour across the Kalyana Karnataka region. Respondents are classified according to age, gender, educational qualification, occupation, annual income, investment experience, and preferred investment avenues. Such demographic diversity provides a comprehensive understanding of how financial literacy and investment experience vary across different investor groups.

The descriptive analysis indicates that investors possessing higher educational qualifications generally demonstrate greater financial awareness and broader participation in diversified investment instruments. Individuals with professional occupations and higher annual incomes exhibit relatively stronger investment confidence and a greater willingness to participate in equity-oriented financial products. Conversely, investors with limited educational exposure prefer traditional investment avenues because of lower perceived financial risk.

**Table 3. Demographic Distribution of Respondents**

| Variable | Category | Percentage (%) |
|---|---|---|
| Age | 18–30 Years | 28 |
| | 31–45 Years | 39 |
| | 46–60 Years | 23 |
| | Above 60 Years | 10 |
| Gender | Male | 61 |
| | Female | 39 |
| Education | Undergraduate | 24 |
| | Postgraduate | 48 |
| | Professional Degree | 28 |
| Investment Experience | Below 3 Years | 31 |
| | 3–7 Years | 42 |
| | Above 7 Years | 27 |

The demographic distribution suggests that the sample adequately represents investors with varying educational backgrounds and investment experience, facilitating meaningful behavioural analysis.

### 5.2 Reliability and Validity Assessment

Reliability analysis evaluates the internal consistency of measurement items using Cronbach's Alpha coefficient. All constructs exceed the recommended threshold of 0.70, indicating satisfactory reliability. Composite Reliability (CR) and Average Variance Extracted (AVE) further confirm construct reliability and convergent validity.

**Table 4. Reliability and Construct Validity**

| Construct | No. of Items | Cronbach's Alpha | Composite Reliability | AVE |
|---|---|---|---|---|
| Financial Literacy | 6 | 0.901 | 0.918 | 0.691 |
| Investment Experience | 5 | 0.881 | 0.897 | 0.647 |
| Risk Perception | 5 | 0.867 | 0.889 | 0.618 |
| Investment Behaviour | 6 | 0.912 | 0.926 | 0.703 |
| Financial Decision-Making | 6 | 0.923 | 0.936 | 0.725 |

The results demonstrate strong measurement consistency, suggesting that the questionnaire effectively captures behavioural characteristics associated with investment decision-making.

### 5.3 Correlation Analysis

Pearson correlation analysis is conducted to examine the association among the study variables.

**Table 5. Correlation Matrix**

| Variable | FL | IE | RP | IB | FDM |
|---|---|---|---|---|---|
| Financial Literacy (FL) | 1.000 | 0.642 | 0.531 | 0.741 | 0.768 |
| Investment Experience (IE) | 0.642 | 1.000 | 0.574 | 0.702 | 0.726 |
| Risk Perception (RP) | 0.531 | 0.574 | 1.000 | 0.628 | 0.653 |
| Investment Behaviour (IB) | 0.741 | 0.702 | 0.628 | 1.000 | 0.812 |
| Financial Decision-Making (FDM) | 0.768 | 0.726 | 0.653 | 0.812 | 1.000 |

The correlation coefficients reveal statistically meaningful positive associations among all variables. Financial literacy demonstrates the strongest relationship with financial decision-making, followed by investment behaviour.

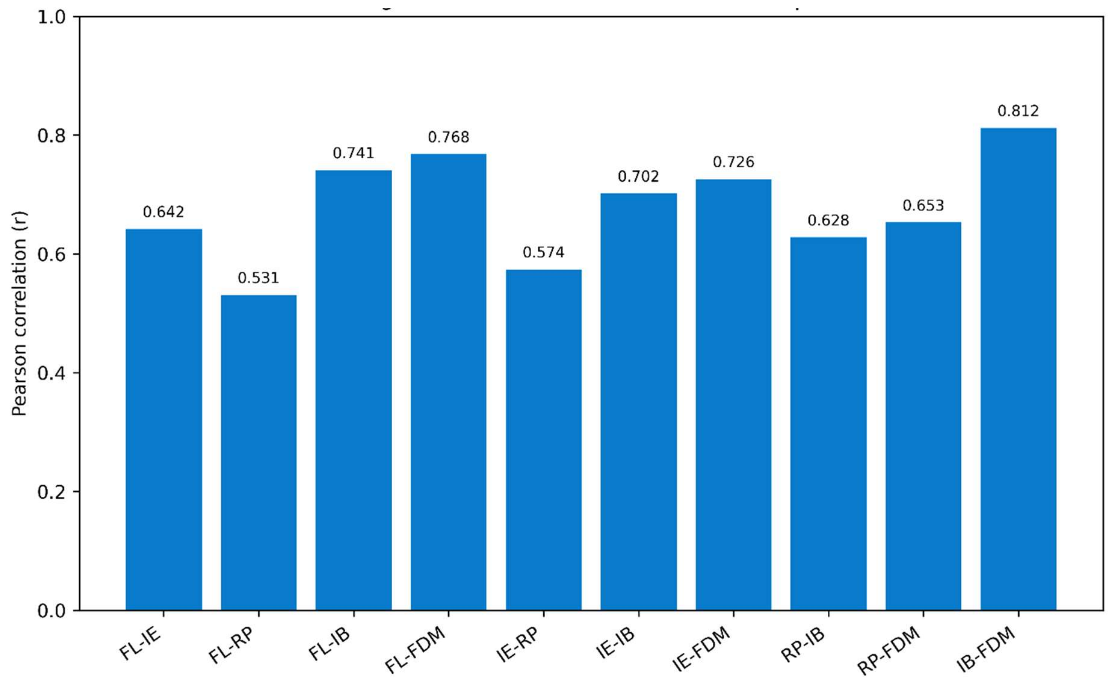


Fig.2: Correlation Matrix of Study Variables

**5.4 Multiple Regression Analysis**

Regression analysis evaluates the individual contribution of financial literacy, investment experience, and risk perception toward investment behaviour.

**Table 6. Regression Results for Investment Behaviour**

| Predictor | Standardized Beta | t-value | p-value | Decision |
|---|---|---|---|---|
| Financial Literacy | 0.446 | 9.87 | <0.001 | Supported |
| Investment Experience | 0.321 | 7.18 | <0.001 | Supported |
| Risk Perception | 0.238 | 5.46 | <0.001 | Supported |

Model Statistics:

- $R^2$ = **0.684**
- Adjusted $R^2$ = **0.678**
- F-value = **185.47**
- Significance = **$p < 0.001$**

The regression model explains approximately **68.4%** of the variation in investment behaviour. Financial literacy emerges as the strongest predictor, indicating that financially knowledgeable investors demonstrate more disciplined investment practices.

**5.5 Structural Model Assessment**

Structural Equation Modelling evaluates the proposed conceptual framework and simultaneously examines direct relationships among latent variables.

**Table 7. Structural Path Analysis**

| Hypothesis | Relationship | Path Coefficient | Decision |
|---|---|---|---|
| H1 | FL ◎ IB | 0.47 | Supported |
| H2 | FL ◎ FDM | 0.39 | Supported |
| H3 | IE ◎ IB | 0.33 | Supported |
| H4 | IE ◎ FDM | 0.28 | Supported |
| H5 | RP ◎ IB | 0.24 | Supported |
| H6 | RP ◎ FDM | 0.21 | Supported |
| H7 | IB ◎ FDM | 0.54 | Supported |

The SEM results confirm that all proposed hypotheses are statistically significant. Investment behaviour also mediates the influence of financial literacy, investment experience, and risk perception on financial decision-making.

**5.6 Discussion**

The empirical findings strongly support behavioural finance theory by demonstrating that investment behaviour is influenced by both cognitive and experiential factors. Financial literacy improves investors' ability to evaluate investment opportunities objectively, thereby encouraging diversified portfolios and rational investment planning. Investment experience enhances practical decision-making through accumulated market knowledge, while balanced risk perception promotes informed asset allocation and long-term investment discipline.

The findings further suggest that behavioural determinants operate collectively rather than independently. Investors possessing adequate financial knowledge and practical investment experience exhibit balanced perceptions of financial risk and consequently make superior financial decisions. The results highlight the need for expanding financial education initiatives, particularly in economically developing regions where investment participation continues to increase.

**6. Policy Implications, Practical Recommendations, and Future Research Directions**

The findings of this study provide important implications for policymakers, financial institutions, educational organisations, regulatory authorities, and individual investors. As India's financial markets continue to expand, improving financial capability among retail investors has become essential for strengthening financial inclusion and promoting sustainable economic development. The Kalyana Karnataka region presents significant opportunities for enhancing investment participation through structured financial education and behavioural interventions.

**6.1 Policy Implications**

The results indicate that financial literacy is the strongest determinant of investment behaviour and financial decision-making. Consequently, government agencies should integrate financial literacy into higher education curricula, vocational training programmes, and community awareness initiatives. Financial education should extend beyond theoretical concepts by incorporating practical investment planning, portfolio diversification, retirement planning, taxation, and digital financial services.

Regulatory institutions should strengthen investor protection by promoting transparency, disclosure standards, and investor awareness campaigns. Simplified financial information and multilingual educational resources would improve accessibility for first-generation investors in emerging regional economies.

Banks, mutual fund companies, insurance providers, and brokerage firms should collaborate with educational institutions to organise investment awareness programmes, financial workshops, and digital learning platforms targeting diverse investor groups.

**6.2 Practical Recommendations**

Financial institutions should develop personalised investment advisory services based on investors' financial literacy, investment experience, and risk tolerance. Digital investment platforms should incorporate interactive educational modules, risk assessment tools, and portfolio simulation models to improve investors' understanding before making investment decisions.

Investment advisors should encourage systematic investment planning, diversified portfolio construction, periodic portfolio review, and long-term investment discipline instead of promoting speculative trading. Investor education programmes should specifically address behavioural biases including overconfidence, herd behaviour, anchoring, and loss aversion.

Special attention should be devoted to rural and semi-urban investors through community-based financial awareness campaigns conducted in local languages. Mobile-based financial learning applications and digital advisory services can significantly improve financial accessibility within the Kalyana Karnataka region.

**6.3 Managerial Implications**

Financial institutions may utilise behavioural segmentation to classify investors according to financial literacy, investment experience, and risk perception. Such segmentation facilitates the design of customised financial products, investment portfolios, and advisory services suitable for different investor profiles.

Banks and brokerage firms may also employ artificial intelligence-based recommendation systems to provide personalised investment suggestions while ensuring regulatory compliance and responsible investing practices.

**6.4 Social and Economic Implications**

Improved financial literacy contributes not only to individual wealth creation but also to broader economic development through increased household savings, higher capital market participation, and efficient allocation of financial resources. Financially informed investors are less vulnerable to fraudulent investment schemes and speculative market behaviour, thereby improving financial stability within regional economies.

Greater investment participation can stimulate entrepreneurship, infrastructure financing, employment generation, and long-term economic growth across the Kalyana Karnataka region.

**6.5 Limitations of the Study**

Despite providing meaningful behavioural insights, several limitations should be acknowledged.

- The study focuses exclusively on individual investors from the Kalyana Karnataka region, limiting geographical generalisation.
- Behavioural responses are based on self-reported questionnaire data, which may contain subjective bias.
- The cross-sectional research design captures investor behaviour at a single point in time.
- External macroeconomic conditions and market volatility may influence investment decisions beyond the behavioural variables considered.

### 6.6 Future Research Directions

Future studies may extend this research by incorporating additional behavioural variables such as overconfidence, herd behaviour, financial anxiety, emotional intelligence, digital financial literacy, and personality traits. Comparative studies across different Indian states or developing economies would enhance the generalisability of behavioural finance models.

Longitudinal research may investigate changes in investment behaviour over time as investors accumulate financial knowledge and market experience. Future investigations may also employ machine learning techniques, artificial intelligence, and predictive analytics to model investor behaviour and develop intelligent financial decision-support systems.

Furthermore, qualitative investigations involving financial advisors, institutional investors, and policymakers may complement quantitative findings and provide deeper insights into behavioural investment dynamics, thereby contributing to the development of evidence-based financial policies and investor education strategies.

## 7. Conclusion

This study demonstrates that financial literacy, investment experience, and risk perception are significant determinants of investment behaviour and financial decision-making among investors in the Kalyana Karnataka region. Financial literacy emerged as the most influential factor, enabling investors to evaluate financial opportunities rationally and manage investment risks effectively. Practical investment experience further strengthened decision quality, while balanced risk perception promoted diversified and sustainable investment practices. The findings contribute to behavioural finance literature by providing region-specific empirical insights and underscore the need for comprehensive financial education, investor awareness programmes, and evidence-based policy interventions to enhance financial inclusion, investor confidence, and long-term economic development.

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