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A Critical Evaluation of Interplay Between Risk Appetite, Investment Channel Preference and Financial Preparedness

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ABSTRACT

This study examines the behavioural factors influencing financial preparedness among urban Indian investors, focusing on the interplay between Risk Appetite (RA), Investment Channel Preference (ICP), and Financial Goal Achievement (FGA). The study confirms construct validity and reliability using Cronbach's alpha, Composite Reliability, and AVE. However, reverse-coded items in RT and RA suggest a need for scale refinement. Grounded in behavioural finance theory, the research employs Structural Equation Modelling (SmartPLS) to analyze key constructs: Risk Tolerance (RT), Loss Aversion (RA), ICP, FGA, and Financial Preparedness (FP). Data from 271 participants reveal that FGA significantly mediates financial preparedness ($\beta = 0.862$, $p < 0.001$), highlighting its critical role in converting investment efforts into financial readiness. ICP notably influences FGA ($\beta = 0.517$, $p < 0.005$), emphasizing that investment choices impact goal achievement. Loss Aversion, when aligned with structured ICP, also positively affects FGA ($\beta = 0.192$), while Risk Tolerance has a weaker impact ($\beta = 0.102$) and shows a strong negative correlation with RA ($\beta = -0.916$). Individuals with higher risk tolerance may be less cautious, potentially hindering goal attainment, as per the results conditional path analysis indicates that risk-averse individuals can still achieve favourable outcomes with higher levels of ICP. Model fit indices (SRMR = 0.11, NFI = 0.734) indicate moderate fit, and multicollinearity between RT and RA (VIF > 6.0) suggests conceptual overlap. The findings emphasize the value of personalized investment strategies and behaviourally adaptive financial education for enhancing financial preparedness and long-term financial resilience.

Keywords: Risk Tolerance, Investment Channel Preference, Financial Literacy, Financial Goal Achievement, Financial Preparedness

1. INTRODUCTION

In an era of growing financial complexity and market unpredictability, understanding the behavioural foundations of investment decisions has become more important than ever. Traditionally, investment behaviour was analyzed through economic models that assumed rationality and utility-maximizing decisions. However, the emergence of behavioural finance has brought to light the significance of psychological traits and individual-level cognitive biases in shaping financial choices. One such critical yet underexplored area is the role of personality traits in influencing an individual's risk tolerance. Risk tolerance is a fundamental aspect of investment decision-making, as it determines how much uncertainty or potential loss an individual is willing to accept in pursuit of financial gains. Personality, on the other hand, represents a stable set of behavioural and emotional characteristics that shape how people perceive and respond to various life situations—including financial risks. This study delves into the relationship between the Big Five personality traits—openness, conscientiousness, extraversion, agreeableness, and neuroticism—and individual levels of risk tolerance. By understanding this relationship, the research aims to offer a more nuanced and psychologically grounded explanation for why people make the investment choices they do. Such insights are particularly relevant in the Indian context, where cultural, economic, and behavioural diversity adds layers of complexity to investor profiling.

Research Gap

Despite the growing body of research in behavioural finance, most studies have largely emphasized factors such as financial literacy, demographic variables, and market conditions while underestimating the influence of personality traits on financial behaviour. When personality has been considered, it has often been limited to isolated traits or studied within Western, developed market contexts, leaving a significant gap in understanding how these psychological dimensions manifest in emerging economies like India. In particular, Indian investors face unique economic pressures and cultural expectations that could potentially amplify or mute the influence of personality on financial risk-taking. Moreover, many prior studies have adopted a narrow or descriptive approach, lacking rigorous statistical modeling that could offer more actionable insights. There is a noticeable absence of integrative studies that evaluate all five major personality traits in relation to risk tolerance, particularly among non-institutional individual investors. This gap creates a need for empirical research that not only examines these relationships in a comprehensive manner but also tailors its findings to the socio-economic

realities of Indian investors. This study addresses this void by employing robust quantitative methods to assess the strength and nature of these relationships, thereby contributing valuable insights to both the academic and practical domains of financial behaviour.

Problem from a Bird's Eye View

From a broader, macroeconomic perspective, understanding how individual personality traits influence risk tolerance has far-reaching implications. Financial markets are not only driven by institutional players but also increasingly influenced by the decisions of retail investors, especially in rapidly growing economies like India. When large groups of investors make decisions based on behavioural biases—often rooted in personality—the collective effect can contribute to market volatility, asset bubbles, or irrational exuberance. This underscores the need to investigate how deeply ingrained personality characteristics shape financial decisions, beyond what can be explained by income, education, or access to information. The real challenge lies not in the availability of financial instruments or advisory services, but in the alignment of these resources with the psychological profiles of individual investors. This disconnect may lead to suboptimal investment outcomes, such as under-diversification, excessive risk-aversion, or speculative overconfidence. Addressing this challenge requires a shift in how we think about investor suitability—not just in terms of financial goals, but also in terms of psychological readiness and behavioural patterns. In this context, examining the personality-risk tolerance relationship becomes more than an academic exercise; it becomes a strategic necessity for creating resilient and inclusive financial systems.

Beneficiary Analysis

The insights derived from this study have the potential to benefit multiple stakeholders across the financial ecosystem. First and foremost, individual investors stand to gain by developing a clearer understanding of their behavioural inclinations and how these may impact their financial well-being. By aligning investment strategies with their personality-driven risk preferences, individuals can avoid common pitfalls and adopt more sustainable financial habits. Secondly, financial advisors and wealth management professionals can use the findings to refine client assessment tools, enabling more personalized and effective advisory services. Understanding a client's psychological profile can enhance the advisor-investor relationship and lead to better long-term outcomes. Thirdly, financial educators and policymakers can leverage this research to design targeted literacy programs that incorporate behavioural components, making financial education more relatable and impactful. Such programs can be particularly valuable in India, where traditional financial knowledge may not always translate into sound investment behaviour. Finally, academic researchers in the fields of finance, psychology, and economics can build upon this study to explore interdisciplinary models that explain financial decision-making more holistically. By providing empirical evidence from an Indian context, this research adds a valuable layer to global discussions on behavioural finance and contributes to the design of more inclusive financial systems.

2. OBJECTIVE OF THE STUDY

1. To analyse the relevance of Financial literary and preparedness model in determining financial preparedness.
2. Examine the mediating role of Investment Channel Preference on financial preparedness.
3. To evaluate how risk tolerance and investment Channel preferences determine the appropriateness of Financial Channel.

3. LITERATURE REVIEW

Risk Tolerance

Risk tolerance refers to an individual's capacity and willingness to endure variability in investment returns. Ahmad (2020) investigates how personality traits influence cognitive biases in investment decisions, with risk attitude acting as a moderating factor. Grounded in the Big Five personality framework, the study finds that traits such as extraversion and conscientiousness are significantly related to biases like overconfidence and the disposition effect. Crucially, risk-averse individuals showed reduced susceptibility to these biases, even when their personality predisposed them to such tendencies. This dual influence emphasizes the importance of understanding risk tolerance in behavioural finance. Similarly, Durand et al. (2008) theorize that investors act as marginal price setters in markets based on stable psychological profiles, reinforcing the role of risk attitude as a consistent determinant of behaviour. Ahmad's empirical research in Pakistan using validated psychometric tools and structural modeling confirms that risk tolerance, shaped by personality, plays a decisive role in shaping investment decisions. The implications are significant for financial advisors aiming to personalize investment strategies. Recognizing a client's personality and risk profile can help in predicting their financial behaviour and minimizing cognitive distortions. Thus, risk tolerance is not only a psychological construct but a key economic variable that shapes financial market participation.

Loss Aversion

Loss aversion, a cornerstone of behavioural finance rooted in prospect theory, captures individuals' tendency to prefer avoiding losses over acquiring equivalent gains. Van Dolder and Vandenbroucke (2024) examine this bias within financial advisory systems, demonstrating that loss aversion varies independently of traditional risk-return preferences and is positively associated with higher education levels. Their large-scale implementation across European markets supports the integration of loss aversion into behavioural risk profiling to enhance client engagement. Setiawan et al. (2024) investigate intergenerational investment behaviour, revealing that loss aversion and risk avoidance differ by age, with Baby Boomers showing the highest risk aversion, while younger cohorts exhibit moderate risk-taking. Similarly, Ahmed et al. (2022) highlight how behavioural biases—particularly the disposition effect—interact with perceived risk, emphasizing loss aversion's role in influencing investor choices in emerging markets like Pakistan. Gupta

and Shrivastava (2021) further refine this relationship by identifying Fear of Missing Out (FOMO) as a mediator that intensifies the impact of loss aversion on impulsive investment decisions. Sarwar et al. (2020) reinforce the psychological foundation of investment intentions, establishing risk aversion—closely linked to loss aversion—as a dominant predictor influenced by personality traits. Collectively, these studies affirm that loss aversion is a critical behavioural and psychological factor shaping investor decisions across demographic, cultural, and market contexts.

Investment Channel Preference

Investment channel preferences reflect how individuals choose among various financial instruments based on factors such as risk tolerance, financial literacy, age, and market conditions. Aggarwal (2023) highlights that mutual funds—especially Systematic Investment Plans (SIPs)—are favored by younger, financially literate investors due to their diversification, liquidity, and affordability, while older individuals prefer traditional options like gold and fixed deposits. Similarly, Rodrigues et al. (2024) compare a broad range of channels including stocks, crypto, and bank deposits, finding that investment horizon, diversification needs, and technology adoption heavily influence channel selection. Ustali et al. (2023) further explore how information channels—like Telegram, Twitter, and brokerage services—affect investment decisions, moderated by investor experience and market cycles. Their findings reveal that inexperienced investors lean on social media during bull markets, while seasoned investors rely on self-research and formal advisories, especially in bear markets. Paul and Sundaram (2023) add a psychological lens, emphasizing that behavioural biases such as overconfidence and herding distort rational investment preferences, with institutional and individual investors exhibiting differing susceptibilities. Finally, Silvester et al. (2020) underline the pivotal role of financial literacy and access to information in shaping investment behaviour, advocating for educational interventions. Together, these studies show that investment channel preference is a multidimensional construct shaped by demographic, psychological, informational, and market-driven factors.

Financial Goal Achievement

Financial goal achievement depends on a combination of behavioural, psychological, and informational factors that guide individual financial actions. Sarath and Patil (2023) introduce the Theory of Financial Planning Behaviour (TFPB), which integrates behavioural intention, financial literacy, and self-efficacy as key drivers of goal-oriented financial decisions. Rajagukguk et al. (2023) reinforce this by identifying internal factors like personality traits and self-control, along with external influences such as financial education and cultural context, as major contributors to effective financial behaviour and goal attainment. Setiawan and Rahardja (2022) focus on the motivational aspect, arguing that financial literacy must be paired with self-efficacy and structured goal setting, aligning with Goal-Setting Theory. Ali et al. (2024) expands this view by including technological and demographic factors in shaping financial literacy, stressing the importance of early education and digital tools in fostering long-term financial discipline. Nanda and Nanda (2014) provide a broader framework by emphasizing the role of cognitive and emotional influences on financial decisions, suggesting that financial goals are achieved through both rational planning and behavioural awareness. Collectively, these studies highlight that financial goal achievement is a multidimensional process requiring not just knowledge, but behavioural intention, self-belief, and contextual adaptability.

Financial Preparedness

Financial preparedness is increasingly recognized as a multidimensional construct encompassing knowledge, behaviour, and planning for future financial needs, particularly retirement. Rani et al. (2023) and Arjun & Subramanian (2024) underscore the persistent gaps in financial literacy across Indian demographics, highlighting that knowledge alone does not ensure preparedness unless translated into behaviour. Maithri and Pavithra Kumari (2023) and Lusardi & Mitchell (2007) establish a strong linkage between financial literacy and retirement planning, emphasizing that individuals with greater knowledge and confidence are more likely to plan for retirement and accumulate wealth. Cole et al. (2015) provides empirical evidence from India, demonstrating that financial education directly improves budgeting and investment behaviours. However, rural and low-income populations remain underserved. The Journal of Economics and Public Policy (2020) calls for robust impact evaluations and cross-disciplinary approaches, as most financial literacy programs lack measurable outcomes. Together, these studies argue that improving financial preparedness requires more than awareness campaigns—it demands behaviourally driven, context-sensitive education and policy interventions. Financial preparedness, therefore, is not only about having knowledge, but also about fostering proactive behaviours and planning attitudes that lead to long-term financial security.

4. CONCEPTUAL MODEL

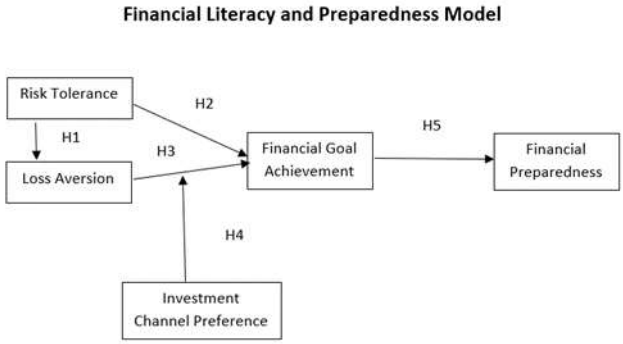

Fig.1. Conceptual Model

(Proposed conceptual model, source: The authors)

4.1 HYPOTHESIS DEVELOPMENT

H1: *Loss aversion significantly influences risk tolerance.*

H2: *Risk tolerance has a positive impact on financial goal achievement.*

H3: *Loss aversion negatively affects financial goal achievement.*

H4: *Investment channel preference significantly influences financial goal achievement.*

H5: *Financial goal achievement positively influences financial preparedness.*

5. RESEARCH METHODOLOGY

This study employs a quantitative research methodology paired with SmartPLS, which is well-suited for analyzing complex and multidimensional latent constructs such as risk appetite, investment channel preference, and financial preparedness. SmartPLS, a variance-based Structural Equation Modeling (SEM) tool, accommodates both formative and reflective indicators and effectively handles non-normal data distributions often found in behavioural finance research. It enables comprehensive hypothesis testing, including mediation and indirect effects, and provides key validity metrics such as path coefficients, AVE, and reliability indices. Given the moderate sample size, SmartPLS ensures statistical rigor, predictive relevance, and replicability, making it an appropriate choice for this study.

5.1 SAMPLE SIZE AND DATA COLLECTION

A sample of 271 respondents was collected using convenience sampling, a practical method commonly used in behavioural research for targeting specific populations under resource constraints (Etikan et al., 2016). This approach enabled efficient data collection from individuals meeting the study's inclusion criteria related to financial behaviour. While it may limit generalizability, convenience sampling is appropriate for exploratory studies focused on conceptual relationships (Bornstein, Jager, & Putnick, 2013). The diverse demographic representation across age, income, and financial experience enriched the analysis. Combined with rigorous data screening, this method provided meaningful insights aligned with the study's objectives on financial preparedness.

Variables

Risk Tolerance (RT), Loss Aversion (LA), Investment Channel Preference (ICP), Financial Goal Achievement (FGA), Financial Preparedness (FP)

Particulars		Frequency	Percent
Age	25-34	89	32.8
	35-44	56	20.7
	45-55	53	19.6
	55-64	10	3.7
	65 and Above	2	0.7
	Under 25	61	22.5
	Total	271	100
Gender	Female	123	45.4
	Male	148	54.6
	Total	271	100
Education	Diploma/Certificate	40	14.8
	Doctorate or Higher	5	1.8
	High school or below	1	0.4
	Postgraduate degree	101	37.3
	Professional qualification	84	31
	Undergraduate degree	40	14.8
	Total	271	100
Employment Status	Employed (Government)	3	1.1
	Employed (Private)	222	81.9
	Retired	5	1.8
	Self-employed/Business	8	3
	Student	33	12.2
	Total	271	100
Region	Rural area	2	0.7
	Small town	1	0.4
	Tier 2 city	5	1.8
	Urban metropolitan city	263	97
	Total	271	100
Marital Status	Married	154	56.8
	Prefer not to say	1	0.4
	Single	115	42.4
	Widowed	1	0.4
	Total	271	100

Table.1. Frequency Distribution Table

Construct reliability and validity	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
FGA	0.859	0.882	0.915	0.782
FP	0.829	0.872	0.9	0.753
ICP	0.802	0.936	0.866	0.691
LA	-0.512	0.898	0.678	0.822
RT	-1.142	0.946	0.376	0.794

Table.2. *Construct reliability and validity Table*

The construct reliability and validity analysis indicate strong internal consistency for FGA, FP, and ICP, as evidenced by Cronbach's alpha values above 0.8, composite reliability (ρc) above 0.85, and AVE values above 0.69, confirming convergent validity. However, Risk Aversion (RA) and Risk Tolerance (RT) show negative Cronbach's alpha values (-0.512, -1.142), indicating potential issues with internal consistency or reverse-coded items. Despite high composite reliability (ρa), their low or inconsistent ρc values suggest measurement concerns. While AVE values remain acceptable, the findings recommend revisiting and refining the items for RA and RT to improve reliability and ensure valid construct representation.

6. DATA ANALYSIS

Table.3. *Path Coefficients*

List	Path coefficients
FGA -> FP	0.862
ICP -> FGA	0.517
ICP x LA -> FGA	0.192
LA -> FGA	0.189
RT -> FGA	0.102
RT -> LA	-0.916

The path coefficient analysis reveals key relationships within the financial preparedness model. Financial Goal Achievement (FGA) strongly predicts Financial Preparedness (FP) with a coefficient of 0.862, emphasizing the central role of goal completion in overall financial readiness. Investment Channel Preference (ICP) significantly influences FGA (0.517), while its interaction with Risk Aversion (RA) also contributes positively (0.192). RA independently affects FGA (0.189), suggesting that cautious investment behaviour supports goal achievement. Risk Tolerance (RT) has a minor positive

effect on FGA (0.102) but a strong negative influence on RA (-0.916), indicating that higher risk tolerance reduces risk aversion, potentially undermining financial goals. These findings highlight that FGA acts as a critical mediator between investment preferences, risk attitudes, and preparedness. Encouraging suitable investment choices and balanced risk behaviour enhances financial readiness by promoting structured goal attainment. The model underscores the importance of aligning risk preferences with strategic financial planning for improved preparedness.

Table.4. *Indirect effects*

Indirect effects	Specific indirect effects
RT -> LA -> FGA	-0.173
ICP -> FGA -> FP	0.446
LA -> FGA -> FP	0.163
RT -> FGA -> FP	0.088
ICP x LA -> FGA -> FP	0.166
RT -> LA -> FGA -> FP	-0.149

The indirect effects reveal key mediating relationships. Investment Channel Preference (ICP) significantly influences Financial Preparedness (FP) via Financial Goal Achievement (FGA) (0.446). Risk Tolerance (RT) shows negative indirect effects through Risk Aversion (RA) and FGA (-0.173, -0.149), indicating that higher risk tolerance may hinder financial preparedness through reduced goal achievement.

Table.5. *Outer loadings*

Particulars	Outer loadings
FGA1 <- FGA	0.938
FGA2 <- FGA	0.916
FGA3 <- FGA	0.792
FP1 <- FP	0.938
FP2 <- FP	0.939
FP3 <- FP	0.704
ICP x LA -> ICP x LA	1
ICP2 <- ICP	0.942
ICP3 <- ICP	0.912
ICP4 <- ICP	0.595
LA1 <- LA	0.828
LA2 <- LA	-0.947
LA3 <- LA	-0.94
RT1 <- RT	0.934
RT2 <- RT	0.895
RT3 <- RT	-0.912
RT4 <- RT	-0.791
RT5 <- RT	-0.915

The outer loadings indicate the reliability of indicators in measuring their respective constructs. Most indicators show strong loadings above 0.7, confirming good convergent validity. Notably, FGA1 (0.938), FP2 (0.939), ICP2 (0.942), and RT1 (0.934) are highly reliable indicators. However, ICP4 (0.595) and FP3 (0.704) fall below ideal thresholds, suggesting limited contribution. Negative loadings for some RA (LA2, LA3) and RT (RT3, RT4, RT5) items reflect reverse-coded items. Overall, the constructs demonstrate strong measurement validity

Table.6. *Conditional direct effects*

Conditional direct effects	LA -> FGA
ICP at +1 SD	0.381
ICP at -1 SD	-0.004
ICP at Mean	0.189

The conditional direct effects demonstrate that the influence of Risk Aversion (RA) on Financial Goal Achievement (FGA) is moderated by Investment Channel Preference (ICP). At a high level of ICP (+1 SD), the effect of RA on FGA is strong and positive (0.381), indicating that risk-averse individuals achieve financial goals more effectively when they prefer suitable investment channels. At average ICP, the effect remains positive though weaker (0.189). However, at low ICP (-1 SD), the relationship becomes negligible (-0.004), suggesting that without appropriate investment preferences, risk aversion alone does not significantly impact financial goal achievement.

Table.7. *Conditional indirect effects*

Conditional indirect effects	LA -> FGA -> FP	RT -> LA -> FGA	RT -> LA -> FGA -> FP
ICP at +1 SD	0.329	-0.349	-0.301
ICP at -1 SD	-0.003	0.003	0.003
ICP at Mean	0.163	-0.173	-0.149

The conditional indirect effects highlight how Investment Channel Preference (ICP) moderates the pathways influencing Financial Preparedness (FP). At high ICP (+1 SD), the indirect effect of LA on FP through Financial Goal Achievement (FGA) is strong and positive (0.329), while Risk Tolerance (RT) shows a strong negative effect through RA and FGA (-0.301). At mean ICP, these effects are moderate (0.163 and -0.149, respectively). However, at low ICP (-1 SD), the effects are negligible, indicating that without appropriate investment preferences, neither RA nor RT significantly impacts financial preparedness. Thus, ICP plays a crucial moderating role in shaping financial outcomes.

Table.8. *Inner model – List*

Inner model – List	VIF
FGA -> FP	1
ICP -> FGA	1.559
ICP x LA -> FGA	1.265
LA -> FGA	6.446
RT -> FGA	7.026
RT -> LA	1

The Variance Inflation Factor (VIF) values assess multicollinearity among predictor variables in the inner model. Most constructs, including FGA → FP, RT → LA, and ICP x LA → FGA, exhibit acceptable VIF values (≤ 1.559), indicating minimal multicollinearity.

However, LA → FGA (6.446) and RT → FGA (7.026) exceed the recommended threshold of 5, suggesting potential multicollinearity concerns. This implies that Learning Attitude (RA) and Risk Tolerance (RT) may share overlapping variance when predicting Financial Goal Achievement (FGA), possibly affecting the clarity of individual effects. Model refinement or re-specification may be needed to address these multicollinearity issues.

Table.9. *Model fit*

Model fit	Saturated model	Estimated model
SRMR	0.108	0.11
d_ULS	1.791	1.854
d_G	0.953	0.955
Chi-square	1349.491	1366.896
NFI	0.737	0.734

The model fit indices suggest an acceptable but not optimal fit of the structural model. The Standardized Root Mean Square Residual (SRMR) values for both saturated (0.108) and estimated models (0.11) are slightly above the commonly accepted threshold of 0.08, indicating moderate model fit. Similarly, Normed Fit Index (NFI) values (0.737, 0.734) fall below the ideal 0.90, reflecting limited model efficiency in reproducing observed data. The Chi-square difference between models is minimal, while d_ULS and d_G values are close, indicating consistency between models. Overall, the model demonstrates a reasonable approximation but may benefit from refinement to improve fit indices.

7. DISCUSSION

This study critically examines the interplay between RT, ICP, and LA in shaping FP, with FGA serving as a key mediating factor. While the constructs generally show strong convergent validity, inconsistencies in RT and LA due to reverse-coded items highlight the need for scale refinement. Path analysis reveals that FGA is the strongest predictor of FP ($\beta = 0.862$), establishing the centrality of goal achievement in financial readiness. ICP significantly influences FGA ($\beta = 0.517$), underscoring the importance of selecting appropriate investment channels. Although RT has a weak direct effect on FGA ($\beta = 0.102$), it has a strong negative impact on LA ($\beta = -0.916$), suggesting that increased RT reduces cautious behavior. Indirect effects reveal that ICP enhances FP through FGA, while RT negatively affects FP via LA and FGA. Conditional analysis further shows that LA's positive effect on FGA is amplified at high levels of ICP but becomes negligible when ICP is low. This highlights ICP's moderating role and the importance of aligning risk behavior with investment choices. Although the model fit is moderately acceptable, improvements in SRMR and NFI are needed. Overall, structured goal-setting and channel alignment are vital for FP.

The proposed hypotheses explore critical behavioural and investment-related dynamics influencing financial outcomes. LA was found to significantly influence RT (H1), with a strong negative path coefficient, indicating higher LA is associated with lower RT. It is strongly supported by studies like Ahmad (2020) and Gupta & Shrivastava (2021), indicating that LA reduces RT, although Setiawan et al. (2024) show generational variability. RT has a positive impact on FGA (H2) is accepted with a weak positive impact that finds support in Bayar et al. (2020) and Awais et al. (2016), asserting that individuals with higher RT are more likely to achieve financial goals, though Nosita et al. (2020) caution that overconfidence can undermine outcomes. LA negatively affects FGA (H3) is rejected as LA was found to positively impact FGA when supported by structured investment choices which is in line with Van Dolder & Vandenbroucke (2024) presenting a nuanced view, suggesting moderate LA might improve decision-making. However, Gupta & Shrivastava (2021) and Ahmed et al. (2022), who link LA to irrational behaviour that hampers goal achievement. ICP significantly influences FGA (H4) is accepted with a strong and statistically significant effect that emphasizes the significance of ICP, which is in line with Aggarwal (2023) and Rodrigues et al. (2024) highlighting the benefits of structured investment routes, while Nanda & Nanda (2014) argue that external constraints can limit goal attainment regardless of the channel. Lastly, FGA positively influences FP (H5) is accepted as FGA emerged as the strongest predictor of FP, highlighting

its critical role in driving long-term financial readiness. It is well supported by Sarath & Patil (2023) and Setiawan & Rahardja (2022), who link FGA to greater preparedness, though Rani et al. (2023) highlight those intentions don't always translate into preparedness. This mixed evidence underscores the complexity of behavioural finance.

8. IMPLICATIONS AND CONCLUSION

This study significantly contributes to the theoretical understanding of how behavioural finance variables interconnect to shape FP. The model confirms that FGA (FGA) acts as a key mediator between investment behaviour and financial readiness, highlighting the importance of goal-setting in financial theory. The complex interplay between RT, LA, and ICP brings forth a nuanced understanding of investor psychology.

Particularly, the strong negative effect of RT on RA and its subsequent influence on FGA introduces a theoretical lens emphasizing the importance of balanced risk perceptions. Furthermore, the moderating role of ICP on the RA–FGA relationship enriches theoretical models by showcasing how contextual investment behaviour can amplify or diminish the effects of risk attitudes. These findings support a more dynamic, integrative framework for studying financial behaviour, encouraging future research to consider conditional relationships and mediators in behavioural finance models.

From a practical perspective, the research underscores the need for financial advisors and institutions to promote structured goal planning as a means to improve FP. Encouraging investors to align their risk profiles with appropriate investment channels can significantly enhance outcomes. For instance, risk-averse individuals show better goal achievement when supported with suitable investment vehicles. The results also suggest the importance of personalized financial counseling that takes into account the individual's RT and investment preferences. Moreover, interventions to enhance financial literacy and channel familiarity could bridge the gap for those with high RT but low preparedness. Practitioners should also be cautious of overreliance on RT as a predictor, as its indirect effects can be negative if not paired with structured planning. Ultimately, this research offers practical insights for designing customized investment strategies that foster long-term financial well-being.

9. LIMITATIONS

Despite its valuable insights, this study is subject to certain limitations. Firstly, the use of self-reported measures may have introduced bias, particularly in the constructs of RT and LA, where reverse-coded items affected internal consistency. The presence of multicollinearity in the RT and RA paths also indicates conceptual overlap, suggesting the need for model refinement. Moreover, the model fit indices, though moderately acceptable, point to areas for improvement in capturing behavioural complexity. The cross-sectional nature of the data limits the ability to infer causality. Lastly, the moderating role of ICP requires further validation across diverse demographic and financial literacy groups to ensure broader applicability.

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