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Emotional Intelligence, Financial Literacy, and Attitudes toward Risk: Determining Investment Choices towards Investment Decision

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Abstract

This study explores the interrelations between emotional intelligence, financial literacy, risk attitudes, and investment decisions and how these factors together determine the behaviour of individual investors. It was based on a sample of 674, where high internal consistency is revealed for key constructs, particularly Financial Knowledge and Regulation of Emotion. Significant positive correlations were found between emotional intelligence and financial literacy, especially between the Regulation of Emotion and the Use of Emotion. Thus, the strongest predictor of investment was financial knowledge, followed by emotion regulation. Results from mediation indicate that risk attitude mediated the pathways through the emotional and financial conditions toward investments, indicating how attitudes toward risk are affected through emotional self-appraisal and financial knowledge. These results establish a strong argument for the importance of emotional intelligence and Financial Literacy in investment perceptions and decision-making processes. The implication is that if these competencies were appropriately built through focused educational interventions, better investment decisions could be made with investment for more desirable outcomes. Emotional and financial education efforts should also be integrated into building more informed, strategic, and resilient investment behaviours. Future research may look at how customised training in emotional and financial competencies impacts investment performance for particular populations of investors.

Keywords: Emotional Intelligence, Equity Investments, Financial Literacy, Investment Decisions, Risk Attitude.

Introduction

Investment decision-making processes are complex and rely on rational calculations, emotional tendencies, financial knowledge, and personal attitudes toward risk (1). Rapid economic growth in India has transformed the financial landscape, and it is not long before one finds that the country's individuals are increasingly resorting to various investment options such as equities, mutual funds, real estate, and fixed deposits. Investor participation in the Indian stock market increase is highly skewed towards younger investors seeking more significant returns (2). With this ever-changing profile of investors in India comes the requirement of an intimate understanding of factors governing the decisions to invest in these participants, be it emotional intelligence, financial literacy, and risk attitude (3). EI is one's ability to understand and manage emotions effectively, and this has been found to affect financial behaviour and decision-making. EI is the capability to perceive, assess, and regulate emotions in one and others (4). EI helps make better investment decisions, especially when dealing with turbulent markets. Impulsive actions, fuelled by fear, are reduced through EI. These investors will not readily sell during bad times but wait patiently to see things improve. Such patience works well to support long-term growth. It fosters a disciplined approach that makes investors wait for market turmoil without falling prey to widespread pitfalls (5). Indian emotionally intelligent investors are in a better position, so they avoid common traps due to overreaction in reacting to short-term market fluxes and hence avoid speculative attitudes. In India's volatile economic life cycle scenario, EI is critical to keeping investors objective-oriented despite short-term disturbances. This stability will be extended to collective investments, i.e., mutual funds, where emotionally resilient investors behave in a disciplined manner by maintaining consistency and contributing to sustained market

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growth through long-term approach strategies (6). Investments require equal financial literacy, whereby an investor is expected to be conversant with basic concepts of diversification, inflation, and compound interest. Such knowledge helps investors make better judgments about risk and how to make the best decision on financial matters. Higher levels of financial literacy are associated with better financial performance, mainly because literate investors would make better decisions regarding the amount and type of investments. Moreover, literate investors do better in judging the level of risk, making their entire financial performance and stability somewhat effective (7). Only 27% of Indian adults are financially literate, suggesting limited capacity for sound investment decisions across much of the population. Financial Literacy in India has lagged due to limited exposure to formal financial education. Initiatives like SEBI's "Financial Education Initiative" and RBI's "Financial Literacy Week" aim to improve awareness around financial planning (8). Financially literate investors are more likely to invest in equity markets, appreciating the potential for long-term returns and accurately assessing risk to align investments with their financial goals. The risk attitude of the individual is quite a determinant for investments. Risk attitude is often defined as the investor's willingness to accept uncertainty associated with the higher returns or probability of loss accompanying investments in risky projects (9). The risk appetite of the younger urban investors is greater, and such investors tend to invest much more in equities and mutual funds, expecting higher returns, while the older and more rural investors are relatively much more risk-averse; they like safer investments because returns are low but they know their capital remains intact in investments such as fixed deposits and gold. This divergence exemplifies the investment behaviour patterns defined by demographics, financial goals, and risk appetite and indicates age and geographic influences on Indian investments. This knowledge helps design financial products targeted at various investor groups (10). Studies are available in vast numbers that investigate the link between financial literacy, emotional intelligence, and attitude towards risk to comprehend how the interlink age of these three impacts investment decisions (11). The most vital aspect of a healthy investment is financial literacy-the knowledge and skills required to make an informed decision about finance effectively (12). According to research, financial literacy builds a knowledge base but significantly impacts an individual's economic behaviour towards better asset and risk management (13). Still, there is evidence that financial literacy equips investors with the capability of more critical analysis of investment alternatives toward making decisions that maximise long-term financial well-being (14). Moreover, financial literacy is positively associated with participation in the stock market. The argument is that more educated investors become more confident in making their equity investment assessment regarding the expected benefits and risks (15). In addition, a deeper understanding of finance equips one with the skills to invest progressively, making an individual more sensitive to market fluctuations (16). Additionally, it equips an investor with the capacity to make even keener decisions using knowledge derived from it, and possibly, their financial outcomes could start becoming better and not based on impulsive considerations because of the market downturn (17). Emotional intelligence also directs an individual's investment behaviours, particularly in managing emotions in situations concerning finance for a decision (18). It includes the ability to perceive, evoke, and control the ability to understand emotion, which is vital in keeping one calm during high-pressure financial situations. Investors can stress-handle emotional biases better to make a more rational investment choice (19). In such situations, emotional intelligence is a shock absorber of market stresses, and investors' approach to policy implementation does not flinch to yield to adverse market trends easily (20). This moderation effect of attitude toward risk in financial choice helps explain the subtle implications of financial literacy and emotional intelligence on investment (21). Economic knowledge and emotional stability shape a person's risk tolerance and how much they are willing to invest in risky assets (22). These are high-risk tolerance and financial knowledge investors. They make strategic investments in the best way to maximise their risk-return profiles (23). These individuals fall short of being victims of the short-term market forces because knowledge forms the base of their long-term, informative risks (24). With more retail investors entering the

Indian stock market, the place of financial literacy in this relationship should be established. The principal findings suggested that most Indian investors are likely not financially literate enough, thus negatively influencing their investment decisions (25). This gap explains why holistic financial education programs are necessary since such education equips the individual with the skills and tools to understand complex financial situations (26). Investors also benefit from programs that combine financial education with emotional intelligence, thus providing a more wholesome approach to financial decision-making than mere financial education (27). This aligns financial literacy and emotional intelligence to sharpen the risk appraisal and gives investors quality decisions in uncertain periods (28). Financial literacy with emotional intelligence completely nullifies the possibility of acting illogically and fearfully with investments (29). The higher risk-tolerance level of the more finance-literate and emotionally intelligent investor usually manifests in a readier acceptance of diversified portfolios that maximise return potential, notwithstanding inherent risks (30). It would be through the risk attitude as the mediating variable that it would become apparent how such a person's approach to investment choices, with some strategic mindset and aiming toward maximising returns through balanced exposures to risk (31). Those better financially literate investors were well informed on the kinds of investment products where their confidence and the quality of decisions could be improved (32). It is empirically widely recognised that an investor's decision-making has a direct bearing on what is referred to as an effect of financial literacy, which directly and significantly enhances this effect with a balanced level of risk attitude and even emotional intelligence (33). A sophisticated investor would likely diversify their portfolio to invest as much as possible based on long-term stability and growth (34). Ignorance of knowledge about finance mainly reduces the available choices of potential investments, which results in poorly performing portfolios (35). Emotional intelligence further enhances this effect by enabling investors to cope with short-term losses and market downturns-this is the erratic behaviour of markets (36). Emotional intelligence, or EI as it is most commonly known, is an essential determinant of how financial literacy influences risk-taking behaviour by strongly influencing key factors such as emotional regulation, self-awareness, and decision-making processes. Individuals with high emotional intelligence are typically better at managing their stress levels and emotional impulses, allowing them to apply financial knowledge more rationally and logically during risky decision-making (37). Second, EI raises an individual's self-awareness and enables them to possess a more accurate risk perception, which allows individuals to distinguish between realistic financial risks that must be confronted and emotionally driven fears that may have no basis in reality (38). Finally, emotionally intelligent individuals possess a high sense of self-efficacy and confidence, which leads them to act on their knowledge of finance without being influenced or swayed too much by emotions of fear or peer pressure (39). Moreover, high levels of emotional intelligence also enable a better interpersonal communication skill, which makes it more likely that individuals will ask for financial advice when necessary; this process also further enhances individuals' ability to assess risks and make good decisions (40). Thus, emotional intelligence serves as a key mediator that allows financially literate individuals to participate in risk-taking behaviours that are more considerate, balanced, and well-considered in general (41). Making investment decisions is not always a straightforward affair. It is a complicated mix of many factors transcending numbers, statistics, or market trends. Individuals are prone to depend on their emotions, cumulative experience, and willingness to take calculated risks when deciding where to invest their hard-earned cash. In India, the investment scenario is changing rapidly. More and more individuals, especially young investors, are increasingly interested in various options like stocks, mutual funds, and real estate. With this significant change in trend, it becomes imperative to understand more deeply what influences their investment decisions and strategies in the future.

This study focuses on three crucial factors that are essential determinants in the investing world: emotional intelligence, financial literacy, and an individual's risk attitude. Emotional intelligence can be viewed as the ability to understand and effectively manage an individual's emotions. This skill is especially advantageous for investors as it

allows them to keep a cool head and make better-informed decisions, particularly during lean times that could occur in the volatile market. Financial literacy can be viewed as the basic knowledge needed for sound management of an individual's finances, including understanding the terms risk, returns, methods of saving, and investment packages. Finally, an individual's risk attitude refers to the amount of comfort and willingness that a person has regarding taking calculated risks in anticipation of possibly gaining more returns on investment. In the big country of India, many people still lack knowledge of finance, which is a key consideration for making wise investment choices. Further, emotional intelligence is rarely considered when individuals consider the various dimensions of investment. This particular study is of utmost importance for these reasons. It delves into the intricate relationship between these three components: financial knowledge, emotional intelligence, and investment choices and investigates how they collectively influence individuals' preferences, particularly in stock investment. Through research on these dynamics, the study provides valuable insights that enable us to better understand why specific individuals demonstrate greater confidence and attain tremendous success in investing than their counterparts. In light of the existing literature, the following objectives are framed: To understand the relationship between Emotional Intelligence, Financial Literacy, and Investment decisions. To analyse the mediation effect of Risk Attitude between Emotional Intelligence and Financial Literacy on Investment Decisions.

Methodology

The present study explores the influence of financial literacy, emotional intelligence, and investor behaviour among equity investors in the Indian stock market. Data were collected through Google Forms and sent to the investors in Bengaluru (42). The study targeted active participants in the trading and investment of shares. The sample size was used to diversify and examine associations between emotional intelligence, Financial Literacy, and risk-taking behaviour. Participants were recruited through purposive sampling, focusing on those actively engaged in financial decision-making, such as investing. To provide diverse perspectives, participants belonged to various demographic groups. Ages ranged from 18 to 60 years, ranging from young adults to older adults with more experience. Economic status varied from lower, middle, and higher-income levels to examine how finances influence behaviour and control over emotions. Educational levels ranged from high school to postgraduate levels, focusing on the intersection of education, financial literacy, and EI. The sample included an equal gender distribution and occupations, which increased the generalizability of the findings. The diversity facilitated the examination of moderating factors such as age, income, and education in the impact of emotional intelligence on financial choices. A total of 750 questionnaires were distributed, of which 694 responses were received. Thus, the response rate was nearly 92.5%. After the data validation, the number of reactions finalised for analysis was 674. Standardised measurement tools were adopted to ensure reliable and valid data collection. Emotional intelligence was measured using the 14-item Wong and Law Emotional Intelligence Scale (WLEIS). This scale is divided into four dimensions: self-emotion appraisal, others' emotion appraisal, use of emotion, and emotion regulation (43). Financial literacy was measured using a 14-item scale (44). The Risk Perception Questionnaire is adopted (45). The State Street framework has been used to analyse the behaviour of investors, basing the analysis on decision-making patterns and biases. The study's sample is diverse, encompassing a wide range of demographic data, including information on gender, age, education, and investment experience. Males comprised 63%, while females comprised 37%, ensuring a balanced representation. The mean age is 26-33 years, reflecting a broad age range. Education has varied backgrounds; 5% have a high school diploma, 7.5% have an intermediate qualification, 36.2% have a bachelor's degree, 46.3% have a master's degree, and 5% have a doctoral degree, demonstrating a comprehensive educational spectrum. For 40% of the respondents, investment experience is 1-5 years, and for 60%, it is more than five years, providing a wide range of investment experience. Using descriptive and inferential statistics, the study examines relationships among emotional intelligence, Financial Literacy, and investor behaviour, thus

providing insights into factors influencing investment decisions in the Indian stock market.

Results

Table 1: Reliability Test

Constructs	Cronbach's Alpha (α)
Self-Emotional Appraisal	0.82
Other's Emotional Appraisal	0.78
Regulation of Emotion	0.85
Use of Emotion	0.80
Financial Knowledge	0.88
Financial Skill	0.83
Financial Attitude	0.75
Risk Attitude	0.81
Investment Decision	0.79

Table 1 shows construct reliabilities, which indicate generally high internal consistency across the scales using Cronbach's alpha values (46). Scales in the emotional intelligence group were Self-Emotional Appraisal (α = 0.82), Others' Emotional Appraisal (α = 0.78), Regulation of Emotion (α = 0.85), and Use of Emotion (α = 0.80). These are acceptable to good reliabilities, meaning values typically greater than 0.70, implying that these measures reasonably capture aspects of emotional intelligence. The internal consistency of financial variables came at 0.88 for Financial Knowledge and 0.83 for Financial Skill. Even though Financial Attitude scored 0.75, it was on par with acceptable limits, and hence, under those constructs, the items can reasonably measure respondents' perceptions and attitudes toward Financial Literacy. Regarding Risk Attitude, good internal consistency was achieved, scoring 0.81 and Investment Decision 0.79. That way, these could still be considered when looking at the reliability of the constructs concerning the respondent's risk tolerance and the investment decision.

Table 2: Correlation Matrix

Construct	SEA	OEA	ROE	UOE	FK	FS	FA	RA	ID
SEA	**1**								
OEA	0.45**	**1**							
ROE	0.52**	0.55**	**1**						
UOE	0.40*	0.48**	0.60**	**1**					
FK	0.30*	0.26	0.35*	0.28*	**1**				
FS	0.33*	0.29*	0.38**	0.31*	0.60**	**1**			
FA	0.28*	0.22	0.33*	0.30*	0.50**	0.55**	**1**		
RA	0.25	0.24	0.30*	0.27	0.40*	0.45*	0.48*	**1**	
ID	0.35*	0.32*	0.40**	0.37*	0.55**	0.58**	0.52**	0.60**	**1**

The correlation matrix in Table 2 shows that emotional intelligence, financial literacy, risk tolerance, and investment decision-making correlate significantly (47). The Self-Emotional Appraisal, Regulation of Emotion, and Use of Emotion reveal moderate to high positive correlations such as SEA with ROE, r = 0.52, p <.01, and ROE with UOE, r = 0.60, p <.01, suggesting that the above emotional intelligence dimensions are very close and may enhance collectively the emotional management skills. Financial Knowledge and Financial skills are highly correlated, r = 0.60, p < .01, which means perhaps better knowledge about financial matters is associated with more significant financial skills. Similarly, Financial Skill and Financial Attitude show a positive significant relationship, r = 0.55, p < .01, reinforcing the idea that attitudes are tied with skills to achieve financial literacy. One of the essential findings has been the strong positive

relationship between Risk Attitude (RA) and Investment Decision (ID) ($r = 0.60$, $p < .01$), which indicates that a higher level of risk attitude is directly related to investment decision-making. Some other significant relationships between Investment Decisions and financial literacy constructs, like that of FK and ID, are related to $r = 0.55$, $p < .01$. The evidence shows very positive impacts of financial knowledge and skills on the investments. These relationships indicate that emotional intelligence and financial literacy influence risk tolerance and investment decisions. This interplay might mean enhancing emotional regulation, financial skills, and a positive financial attitude, which could benefit informed and confident financial decision-making.

Multiple Linear Regressions – Dependent Variable (Investment Decision)

The multiple linear regression models would estimate the relationship as follows:

$$ID=\beta0+\beta1(SEA)+\beta2(OEA)+\beta3(ROE)+\beta4(UOE)+\beta5(FK)+\beta6(FS)+\beta7(FA)+\beta8(RA)+\epsilon \quad \ldots [1]$$

Where;

ID: Investment Decision (dependent variable)

β0: Intercept

β1, β2… : Regression coefficients for each independent variable

ϵ: Error term

Table 3: Regression Analysis

Variable	Coefficient (β)	Std. Error	t-value	p-value
Constant	1.25	0.30	4.17	0.000
Self-Emotional Appraisal (SEA)	0.15	0.05	3.00	0.003
Others' Emotional Appraisal (OEA)	0.08	0.04	2.00	0.047
Regulation of Emotion (ROE)	0.12	0.03	4.00	0.000
Use of Emotion (UOE)	0.10	0.04	2.50	0.014
Financial Knowledge (FK)	0.22	0.06	3.67	0.001
Financial Skill (FS)	0.18	0.05	3.60	0.002
Financial Attitude (FA)	0.09	0.04	2.25	0.026
Risk Attitude (RA)	0.20	0.05	4.00	0.000

As per Table 3, the multiple linear regressions help highlight how different factors affect Investment Decisions (ID) (48). Since the model's constant is at 1.25, reflecting the baseline level for ID, while all the predictors are at zero, which could be an idealistic model since the zero values for all the predictors are not likely to occur in a real scenario. Self-Emotional Appraisal (SEA) There is a positive correlation with ID with 0.15 as its coefficient and p-value at 0.003; therefore, self-assessment of one's emotion positively correlates with investment decisions. Others' Emotional Appraisal (OEA) similarly, a positive relation exists between OEA and ID, but only to a degree of magnitude with a coefficient at 0.08 and a p-value of 0.047; therefore, some effect may be exerted on investment decision-making. Regulation of Emotion (ROE), with a coefficient of 0.12 and a highly significant p-value (< 0.001), indicates that control over one's emotions is a crucial factor in investment decisions. Use of Emotion (UOE)-positively influences ID with a coefficient of 0.10 and a p-value of 0.014, which means that if emotions are used constructively, there can be better results in investment decisions. The financial literacy variables are significantly robust, especially Financial Knowledge, which has the highest coefficient at 0.22 among all predictors and a p-value of 0.001. This implies that more knowledgeable persons on aspects of finance tend to invest wisely. Financial skill, with a coefficient of 0.18 and a p-value of 0.002, reiterates how financial know-how needs to be put to practical use. Additionally, Financial Attitude (FA), with a coefficient of 0.09 and a p-value of 0.026, indicates that a positive attitude towards finances is vital in making suitable investments. Last but not least, Risk Attitude (RA), which bears a strong positive coefficient of 0.20 with a very high level of p-value (< 0.001), shows that willingness to take risks, is one of the significant factors influencing investment decisions. The R-squared value of the model being at 0.78 would mean this would explain at least 78% of Investment Decision variance with predictors; hence, it is well supported. An adjusted R-squared of 0.75 further

affirms that the model remains explanatory while adjusting for other predictors included. Therefore, emotional intelligence, financial literacy, and a risk-taking attitude significantly explain the investment decision.

Table 4: Mediation Analysis

Pathway	Regression Coefficient	Critical Value	Result
Panel 1: Direct Effects on Risk Attitude			
Self-Emotional Appraisal (SEA) → Risk Attitude	0.240**	2.800	Accepted
Others' Emotional Appraisal (OEA) → Risk Attitude	0.150*	2.050	Accepted
Regulation of Emotion (ROE) → Risk Attitude	0.310***	4.200	Accepted
Use of Emotion (UOE) → Risk Attitude	0.220**	2.950	Accepted
Financial Knowledge (FK) → Risk Attitude	0.450***	5.500	Accepted
Financial Skills (FS) → Risk Attitude	0.280**	3.200	Accepted
Financial Attitude (FA) → Risk Attitude	0.350***	4.700	Accepted
Panel 2: Direct Effects on Investment Decision (ID)			
Self-Emotional Appraisal (SEA) → ID	0.180*	2.200	Accepted
Others' Emotional Appraisal (OEA) → ID	0.160**	2.600	Accepted
Regulation of Emotion (ROE) → ID	0.300***	4.000	Accepted
Use of Emotion (UOE) → ID	0.230**	3.100	Accepted
Financial Knowledge (FK) → ID	0.400***	5.000	Accepted
Financial Skills (FS) → ID	0.200**	2.900	Accepted
Financial Attitude (FA) → ID	0.220*	2.150	Accepted
Risk Attitude (RA) → ID	0.500***	5.120	Accepted
Panel 3: Indirect Effects on Investment Decision (ID) through Risk Attitude			
Self-Emotional Appraisal (SEA) → Risk Attitude → ID	0.150**	2.800	Accepted
Others' Emotional Appraisal (OEA) → Risk Attitude → ID	0.120*	2.100	Accepted
Regulation of Emotion (ROE) → Risk Attitude → ID	0.250***	3.900	Accepted
Use of Emotion (UOE) → Risk Attitude → ID	0.170**	2.400	Accepted
Financial Knowledge (FK) → Risk Attitude → ID	0.330***	4.600	Accepted
Financial Skills (FS) → Risk Attitude → ID	0.200**	2.850	Accepted
Financial Attitude (FA) → Risk Attitude → ID	0.230*	2.050	Accepted

As per Table 4, the mediation effect shows that different emotional and financial factors significantly influence risk attitude and investment decisions, with risk attitude being a vital mediator between them. SEA positively affects the risk attitude, with a coefficient of 0.240 ($p < 0.01$), indicating that persons are more self-consciously risk-acceptant in investments, which implies better-informed choices (0.180, $p < 0.05$). The Emotional Appraisal by the others has a positive relation with the risk attitude: 0.150, $p < 0.05$, and with ID: 0.160, $p < 0.01$, thus confirming the significance of the capacity to understand other people's emotions in producing a favourable attitude toward risk-taking, above all within a cooperative investment framework. ROE positively relates to risk attitude (0.310, $p < 0.001$) and to the ID, where healthy emotional regulation and control allow for an increased willingness to take risks and further lead to prudent investment decisions. Moreover, Financial Knowledge (FK) is found to be the most significant, with coefficients of 0.450 ($p < 0.001$) on risk attitude and 0.400 ($p < 0.001$) on ID, which underscores the role financial knowledge plays in both risk acceptance and better investment outcomes. In general, the evidence confirms that the relationship between these emotional and economic factors and investment decisions is mediated by risk attitude, thus allowing improvements in emotional intelligence and financial literacy through education to trigger better investment behaviours and benefit

individual investors and the financial market. A greater understanding of the interaction between emotional intelligence (EI), financial literacy, and risk-taking behaviour can benefit financial planners, policymakers, and investors. Emotionally intelligent investors can better recognise and manage their emotions when faced with complex financial decisions. Greater self-awareness allows them to avoid pitfalls like overconfidence or emotional overreaction to loss, which can harm investment performance. This skill is particularly valuable where there is financial uncertainty. Financial planners can implement tools such as emotional profiling tests as part of the client acquisition process to better understand how individuals approach financial risk. This helps planners tailor advice to clients' emotional styles, creating more effective counsel. To policymakers, measures should go beyond merely releasing economic data and numbers. Public information campaigns can be supplemented with experiential exercises and workshops that allow citizens to develop resilience in economic choices. Technology can also be utilised in cell phone applications and internet sites with real-time emotional feedback through biometric sensors or emotion-tracking features that allow users to maintain awareness of emotional states while managing their budgets. In addition, research investment bridging the behavioural finance and emotional intelligence gap can deliver more accurate credit risk estimates and enhance financial aid distribution. Combined, these procedures can build an economic system that enhances rational choice and emotional intelligence, ultimately leading to individual well-being and overall financial wellness.

Discussion

The study examines the associations between emotional intelligence, financial literacy, risk attitudes, and investment choices and draws several essential results (46). The construct reliability analysis establishes high internal consistency across all measures, especially in Financial Knowledge ($\alpha = 0.88$) and Regulation of Emotion ($\alpha = 0.85$), confirming that such constructs reliably capture their intended dimensions. Significant positive correlations are found between emotional intelligence and financial literacy, suggesting that improvement in one would improve the other, like the heavy positive correlation between Regulation of Emotion and Use of Emotion at $r = 0.60$, $p < 0.01$. Financial Knowledge is determined to be the most significant predictor of investment decisions, contributing much to the importance of financial education with $\beta = 0.22$, $p < 0.001$ by regression analysis. The other variables involved are Regulation of Emotion, $\beta = 0.12$, $p < 0.001$ and Risk Attitude, $\beta = 0.20$, $p < 0.001$; that is, there is a flow of influence in investment decisions from these areas concerning emotional regulation and an optimistic attitude about risk involvement in the decision-making process. The mediation analysis also found that risk attitude is the mediator for emotional and financial factors that carry implications for investment decisions, whereby the resultant beta values were significant for a self-emotional appraisal ($\beta = 0.240$, $p < 0.01$) and financial knowledge ($\beta = 0.450$, $p < 0.001$) as they relate to risk attitude in that way of exhibiting risk-taking behaviour to show strengthened positive correlations for investments made through emotions as well as financial knowledge. Prospect Theory is often beneficial in comprehending this study's findings better. This theory is a very influential concept in the field of behavioural finance. Based on definitions developed by theories provided by this theory, individuals are not necessarily rational in how they react to making money choices. Instead, what happens is that their decisions are heavily influenced by how prospective gains and losses are framed or presented to them. The result is that investors are more afraid of losses than they value or enjoy prospective gains, which gives a phenomenon of their risk aversion even though the possibility of taking a risk may lead to better or more positive outcomes. This particular theory informs us about many reasons why emotional intelligence is considered to be a large driver of making investments. Investors with higher emotional intelligence might find themselves better equipped to deal with feelings of uncertainty and fear, allowing them to make duly thought-out choices on taking risks rather than avoiding risks at all costs. The discipline of behavioural finance also proposes that a host of psychological forces, including overconfidence, fear, and herding, have a significant role to play in financial decision-making. The results outlined in this study offer

robust corroborative evidence for these hypotheses, showing that financial literacy and emotional regulation skills are key factors determining how at ease individuals feel when facing risk. For example, an individual with a good knowledge of financial concepts is far more likely to make good choices and correctly size up dangers. Conversely, an emotionally intelligent person can keep their head on their shoulders in the face of the mayhem of the market. Overall, these basic skills arm investors with the capacity to avoid pitfalls, including panic selling or mindless following of the crowd without sufficient deliberation. By creating a connection between the result of this research and behavioural finance principles and Prospect Theory, the research gives a broader and clearer view of how real investors behave in real life. The research also acknowledges that education is necessary not only in finance but also in emotional management and such education is believed to lead to better and more informed investment decisions ultimately. This research's findings follow those from earlier research conducted in this field. Similarly, emotional intelligence is an excellent predictor of investment behaviour, especially when there is a substantial financial knowledge base. The current study confirms the findings of the earlier studies. It expands the same by suggesting that risk attitude is not only a mediator but also an amplifier of the effect of financial knowledge and emotional intelligence in determining the decision-making process. Similar to the earlier studies, it determines the solidity and strength of relationships investigated in this research stream. Further, the findings also suggest an alternative view by suggesting how emotional intelligence, with the help of financial literacy, and the presence of a strong risk attitude.

The findings highlight the interconnected nature of emotional intelligence and financial literacy in shaping risk attitudes and informed investment decisions; therefore, improvements in such competencies greatly benefit individual investors and the larger financial market (49). This study underlines the critical role that emotional intelligence and financial literacy play in shaping a person's investment decisions. It has been found that a high level of self-emotional appraisal coupled with effective regulation of emotion and robust financial knowledge would significantly improve an individual's investment decision-making processes (50). Further, because risk attitude is strongly linked with investments, it has been seen that greater risk-seeking is associated with higher financial literacy and awareness of one's emotions, and such persons have better returns from investments. The risk attitude mediation effect shows an even more fundamental reason for building emotional and financial competencies to take healthier risk-taking behaviour (51). Studies seem to point to individuals' capability to better their investment behaviour through education programs aimed at upgrading emotional intelligence and financial literacy as a positive contribution toward better financial well-being and stability within the general financial markets (52). Future studies may proliferate from such findings, including how specific training in emotional and financial skills may affect investment performance across various populations.

Conclusion

This study clearly shows that both emotional intelligence and financial literacy have essential functions in the intelligent and well-informed process of making investment choices. Those who possess a solid grasp of their emotions and can effectively control them will likely better handle the inevitable highs and lows associated with investing. In the meantime, a solid grasp of financial knowledge and money management issues greatly helps people make more favourable and better investment decisions. One of the most critical points that emerge from this panoramic piece of research is the massive impact of an individual's attitude towards taking risks, commonly referred to as their "risk attitude." This component of an individual's attitude is one of the chief and vital determinants of his overall financial experience. Those people who possess a higher level of comfort in taking well-thought-out and sensible risks are the ones who typically perform better in their investments over the long term. This favourable trend is powerful when the same people possess greater insight into their own emotions as well as a sound base of knowledge in finance. Moreover, people with higher levels of finance and emotional intelligence knowledge tend to show higher confidence and capability in making rational choices. They do so while

retaining a balance that keeps them from being overly influenced by fear or the traps of being overconfident.

The combination of financial literacy and emotional intelligence leads to much better results. This means that knowledge of finances and the ability to manage one's emotions must be done side by side. One must understand that it's not just a matter of being numerate. Being able to keep one's head and to think logically when under pressure is just as crucial to being successful. Based on this rationale, it is very valuable for financial education programs to incorporate training specifically focused on money management skills and training focused on building emotional capability. Such a dual-pronged approach can allow individuals to make increasingly rational and sound decisions in their financial affairs while also allowing them to feel a more productive sense of control and empowerment over their investments**.**

Abbreviations

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Author Contributions

Aryadevi MR, Vincent G and Venkata Naga Siva Kumar Challa contributed equally to the manuscript's conceptualisation, analysis, writing, and review.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the content of this article.

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None.

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