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Impact of Equity Volatility On Investor Behavior in The Indian Stock Market: Mediating Role of Risk Perception

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Abstract
The study encapsulates a focused exploration into the complex interplay between equity volatility, investor behavior, and risk perception within the Indian stock market. The study engages a sample of 490 investors, selected through purposive sampling, ensuring participants possess a comprehensive understanding of stock market intricacies. Employing a cause and effect research design, the study delves into the causal relationships underlying the variables of interest. Data is gathered through a meticulously designed questionnaire, tailored to elicit insights into the perceptions and behaviors of the selected investors. The findings highlight a significant and positive impact among the research variables. Specifically, the study establishes a substantial association between equity volatility and investor behavior, with risk perception partially mediating this relationship. In essence, this study provides valuable insights into the complex dynamics that drive investor responses to equity volatility within the Indian stock market.

Key Words: *Equity Volatility, Investor Behavior, Stock Market, Risk Perception, Individual Affluence*

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I. Introduction

In the ever-fluctuating realm of the Indian stock market, the impact of equity volatility on investor behavior stands as a subject of profound significance and curiosity. The intricate dance of stock prices, often marked by rapid fluctuations and unforeseen shifts, has a profound influence on how investors approach and react within the market landscape. Amidst this dynamic environment, one crucial yet intricate aspect that emerges is the mediating role of risk perception. This study delves into the intricate interplay between equity volatility and investor behavior, seeking to unravel the mechanisms through which risk perception mediates the relationship between these two fundamental elements. With the Indian stock market serving as a microcosm of global financial dynamics, comprehending the intricate relationship between equity volatility and investor behavior becomes paramount. While the surface-level impact of volatile markets on investor sentiments is well-recognized, this study aims to delve deeper into the underlying psychological mechanisms at play. Specifically, the focus on risk perception introduces a compelling dimension, as it serves as the lens through which investors gauge the potential hazards and rewards of their investment decisions (Agrawal and Singh, 2019). Investigating the mediating role of risk perception, this study seeks to shed light on the cognitive processes that connect the inherent volatility of the stock market to the varied behaviors exhibited by investors. Such insights hold the potential to enrich our understanding of investor decision-making, offering valuable implications for financial practitioners and policymakers alike in their quest to navigate the intricate landscape of the Indian stock market (Malmendier et al., 2020).

In the context of the Indian stock market, the correlation between equity volatility and investor behavior is a subject that encapsulates both intrigue and practical significance. The fluctuations in stock prices, often characterized by their rapid and unpredictable nature, can evoke a spectrum of responses from investors from cautious deliberation to impulsive action. Delving into the depths of this relationship, this study aims to explore a nuanced perspective by introducing the concept of risk perception as a mediator. Examining the role of risk perception in connecting the dots between equity volatility and investor behavior, this research seeks to

unearth the underlying cognitive mechanisms that shape decision-making processes in the face of market turbulence. The Indian stock market, as a dynamic arena where financial aspirations and uncertainties converge, provides a fertile ground for such an investigation. The study's focus on the mediating role of risk perception serves as a gateway to understanding how investors interpret and react to the ebb and flow of stock prices. This deeper exploration into the psychological dimensions of market participation has the potential to uncover valuable insights into investor behavior that extend beyond mere statistical correlations. Ultimately, the findings of this study could provide a clearer roadmap for investors, analysts, and market regulators to navigate the intricacies of the Indian stock market in a way that accounts for both its inherent volatility and the intricate fabric of human decision-making.

Equity Volatility: Equity volatility stands as a defining characteristic of the stock market, characterized by the rapid and sometimes unpredictable fluctuations in stock prices. Trading volume and velocity play a pivotal role in this phenomenon, as surges in trading activity can magnify price swings. When high volumes of stocks change hands rapidly, it can lead to pronounced price shifts, reflecting the impact of supply and demand dynamics (Vidhya and Magesh, 2018). Alongside this, information flows within the market are a driving force behind equity volatility. Rapid dissemination of news, both positive and negative, can instantly sway investor sentiment and trigger cascades of buying or selling, perpetuating the fluctuations that define the market's volatile nature. Equity volatility is also deeply intertwined with global events and regulatory changes. International occurrences like geopolitical tensions or changes in trade policies can send ripples across markets, contributing to heightened volatility. Regulatory alterations, whether in terms of market structure or trading rules, can also have a profound influence on the stability of stock prices (Saraf and Kayal, 2023).

The derivative market, with its leveraged trading and speculation, can significantly amplify equity volatility. The use of derivatives introduces a level of complexity that can exacerbate price movements, impacting not only the derivatives market but also the underlying equities. In this intricate dance of influences, economic indicators and market sentiment play a role in shaping equity volatility. The release of economic data, such as employment figures or GDP growth, can significantly impact market sentiment and subsequent price movements. Positive indicators might drive optimism and stability, while negative readings could lead to anxiety and increased volatility. Collectively, equity volatility underscores the intricate interplay between trading dynamics, information dissemination, global events, market regulations, and psychological factors that define the modern stock market landscape (Mehta and Nerlekar, 2020).

Fundamentals: Fundamental factors serve as the bedrock of investment decisions in the stock market, guiding investors' assessment of a company's intrinsic value and potential for growth. One pivotal aspect is the higher profit-earning capacity of a firm. Investors meticulously analyze a company's financial statements, paying close attention to metrics like earnings per share and profit margins. A company with a consistent track record of strong earnings signifies its ability to generate returns and maintain shareholder value over time, often garnering investor confidence. Investors also keenly observe positive parameters within the industry a company operates in. Factors such as market demand, competitive positioning, and innovation within the sector can significantly impact a company's performance. Evaluating these industry dynamics, investors can assess a company's growth potential and its ability to adapt to changing market conditions (Muhammad and Ali, 2018). Moreover, the broader economic landscape plays a pivotal role in fundamental analysis. Investors closely monitor macroeconomic indicators such as GDP growth, inflation rates, and interest rates. Companies tend to perform better during favorable economic conditions, as consumer spending and business investments increase. Considering these fundamental factors, investors gain insights into the underlying health and prospects of a company, facilitating well-informed investment decisions within the dynamic stock market environment (Tarmidi et al., 2020).

Technical Factors: Technical factors hold a significant place in the toolkit of investors navigating the complexities of the stock market. The crucial aspect is the estimation of past price trends. Investors analyze historical price data to identify patterns, such as moving averages and trend lines, which offer insights into the stock's performance over time. This historical perspective aids in assessing the stock's potential direction and volatility, enabling investors to make informed decisions about buying or selling. The prediction of future stock prices is another vital consideration (Bharathi and Geetha, 2017). Technical analysis often involves employing various indicators, such as relative strength index moving averages, and so on to gauge the stock's potential future movements. These indicators assist investors in understanding whether a stock is overbought or oversold, thereby aiding in timing buy or sell decisions. Moreover, investors often factor in psychological beliefs regarding the duration of their investments that is, short or long term. Technical analysis provides tools to align with these beliefs. Short-term traders may use techniques like day trading, while long-term investors may lean on indicators that offer insights into broader price trends. In this intricate web of technical factors, investors

attempt to decipher patterns, predict trends, and align their strategies with their outlook on stock prices, thereby aiming to enhance their chances of making profitable decisions (Andleeb and Hassan, 2023).

Individual Affluence: The individual affluence shaping investors participation in the stock market. The main factor influencing this affluence is a higher level of disposable income. Investors with greater disposable income have the financial flexibility to allocate a substantial portion towards investments. This allows them to diversify their portfolio and explore a wider range of investment options, contributing to their ability to potentially capture different market opportunities. Additionally, an individual's capacity to construct an efficient portfolio is a reflection of their affluence. Investors who possess the means to invest across various asset classes can create a portfolio that is well-balanced and aligned with their risk tolerance and financial goals (Paramanik and Singhal, 2020). Moreover, the expectation of high liquidity is a defining aspect of investor affluence. Those with ample financial resources are better positioned to invest in assets that can be easily converted into cash, enabling them to quickly adapt to changing market conditions or seize investment opportunities as they arise. Affluent investors are also more equipped to actively monitor the stock market. They have the resources to access real-time data, subscribe to research services, and seek professional advice. This enables them to stay informed about market trends and make informed decisions (Rajkar et al., 2021). In this dynamic environment, individual affluence empowers investors to navigate the complexities of the stock market with a strategic and informed approach, allowing them to potentially capitalize on market movements and opportunities.

Risk Perception: Risk perception plays a pivotal role in shaping investors' decisions and behavior within the complex realm of the stock market. The significant factor influencing risk perception is the extent of price fluctuations. When markets experience high volatility and frequent price swings, investors might perceive higher risk due to the uncertainty of returns. Paradoxically, this very volatility can also entice some investors who seek to capitalize on short-term market movements for potentially higher gains (Sharma et al., 2017). Another aspect impacting risk perception is the delicate balance between expectations of higher returns and low levels of risk. Investors often grapple with the trade-off between the allure of substantial profits and their desire to safeguard their capital. The interplay between these two elements is pivotal in shaping an individual's perception of the risks they are willing to undertake. Past experiences further mold risk perception (Paul et al., 2023). An investor who has successfully managed risk in the past might exhibit a more favorable attitude towards taking calculated risks. Conversely, those who have suffered losses or faced unforeseen risks could be more cautious in their future decisions.

Historical returns and losses also feature prominently in shaping how investors perceive risk. When reflecting on an investment's track record of returns and losses, investors gauge the likelihood of future outcomes. Favorable historical performance might lead to underestimating potential risks, while prior losses could lead to heightened risk aversion. Risk perception is a dynamic cognitive process influenced by a myriad of factors, and it significantly influences investment choices, portfolio composition, and overall strategy within the intricate landscape of the stock market (Jain et al., 2023). The mediating role of risk perception operates as a critical conduit that connects the dots between equity volatility and investor behavior in the stock market. As a psychological construct deeply embedded in decision-making processes, risk perception serves as the lens through which investors interpret the dynamic shifts in stock prices. If volatility amplifies, risk perceptions often evolve, leading investors to reevaluate the potential gains and losses associated with their investment decisions. This cognitive recalibration, influenced by factors such as historical experiences, prevailing market sentiment, and external economic conditions, ultimately shapes how investors approach risk and make decisions amidst market uncertainty (Aeknarajindawat, 2020).

Investor Behaviour: Investor behavior in the stock market is a fascinating interplay of various factors that influence decision-making and shape trading patterns. The prevalent phenomenon in this realm is the herd mentality, where investors tend to follow the actions of the larger crowd rather than conducting independent analysis. This behavior can lead to exaggerated market movements, as fear and greed become contagious (Dutta et al., 2020). While herd mentality can drive momentum, it can also amplify volatility and result in suboptimal decision-making. Trading style and investment horizon further underline the diversity of investor behavior. Some individuals adopt active trading strategies, frequently buying and selling stocks to capitalize on short-term price movements. Conversely, others prefer a long-term approach, aligning with their investment horizon and tolerance for risk. Diversification is another key aspect, where investors spread their investments across various asset classes to mitigate risk. This strategy guards against excessive losses from a single investment, underscoring the prudent risk management approach some investors adopt (Gill et al., 2018).

Investors also navigate the distinction between active and passive investment strategies. Active investors frequently analyze market trends and stock performance to make informed decisions, potentially yielding higher returns but demanding more effort. Passive investors, on the other hand, opt for a 'buy and hold'

strategy, aiming to match the market's overall performance rather than beat it. These strategies often align with specific investment goals, such as funding retirement, achieving financial independence, or saving for education. In this dynamic landscape, individual investor behavior is an intricate amalgamation of psychology, goals, strategies, and external influences that collectively shape the functioning of the stock market (Singh and Yadav, 2019). Investor behavior in response to the volatility of equity shares in the stock market is a dynamic and intricate phenomenon that reflects the intersection of psychology, market dynamics, and risk perception. When faced with periods of heightened volatility, investors often display a range of reactions driven by emotions such as fear, uncertainty, and sometimes even excitement. Some investors, influenced by a fear of potential losses, may adopt a risk-averse stance, leading them to sell off their holdings to avoid further exposure to volatile assets.

Investors might perceive increased volatility as an opportunity for profit, capitalizing on short-term price fluctuations through trading strategies like day trading or swing trading. Furthermore, the extent of an investor's familiarity with market volatility plays a pivotal role. Experienced investors who have weathered volatile market conditions in the past may respond with more measured reactions, relying on their historical knowledge and understanding of market cycles. Conversely, less experienced investors might succumb to panic and make impulsive decisions, amplifying market volatility. Additionally, investor behavior can be influenced by their investment goals and time horizons. Long-term investors with specific financial objectives may choose to ride out short-term fluctuations, emphasizing their confidence in the market's ability to rebound over time (Mak and Ip, 2017). This interplay between individual psychology, market conditions, and risk perception adds layers of complexity to the study of investor behavior and offers a fascinating lens through which to understand the dynamics of the stock market.

II. Statement Of The Problem

In the dynamic landscape of the Indian stock market, the interplay between equity volatility and investor behavior presents a compelling arena for exploration. The rapid oscillations in stock prices, often marked by unpredictability, trigger a range of investor responses that shape market dynamics. The association between equity volatility and investor behavior is recognized, a comprehensive understanding of how risk perception serves as a mediator in this relationship remains underexplored. The study seeks to bridge this gap by delving into the intricate mechanisms through which risk perception operates, influencing the ways in which investors respond to the fluctuations and uncertainties inherent in the stock market. The specific puzzle that this study aims to address is how risk perception functions as a connecting thread between equity volatility and the diverse behaviors exhibited by investors in the Indian stock market. Focusing on risk perception as a mediator, this study endeavors to decipher the underlying psychological mechanisms that prompt investors to reevaluate their investment choices and strategies in light of market turbulence. The uncharted territory of risk perception's mediating role presents an opportunity to enhance our comprehension of investor decision-making processes, offering insights that can potentially redefine investment strategies, risk management approaches, and policy considerations within the ever-evolving landscape of the Indian stock market.

III. Need For The Study

The need emerges from the intricate network of interactions between equity volatility, investor behavior, and risk perception in the dynamic context of the Indian stock market. In a landscape where market dynamics are often marked by rapid shifts and unpredictability, understanding the underlying factors that guide investor decision-making becomes essential. While the influence of equity volatility on investor behavior is well-acknowledged, the role of risk perception in mediating this relationship remains an unexplored avenue that demands exploration. The study seeks to address the gaps in our current understanding by recognizing the pivotal role that risk perception plays as a connecting element between equity volatility and investor responses. As financial markets continue to evolve and respond to both local and global forces, comprehending the intricate cognitive processes that drive investor behavior assumes paramount significance. Furthermore, the dynamic nature of the stock market underscores the timeliness of this investigation. As market participants grapple with ever-changing economic conditions, technological advancements, and regulatory shifts, a deeper understanding of how risk perception mediates the impact of equity volatility can serve as a compass for investors and policymakers. Ultimately, the need for this study arises from the pursuit of comprehensive insights into the complex interplay between equity volatility, investor behavior, and the psychological underpinnings of risk perception in the Indian stock market.

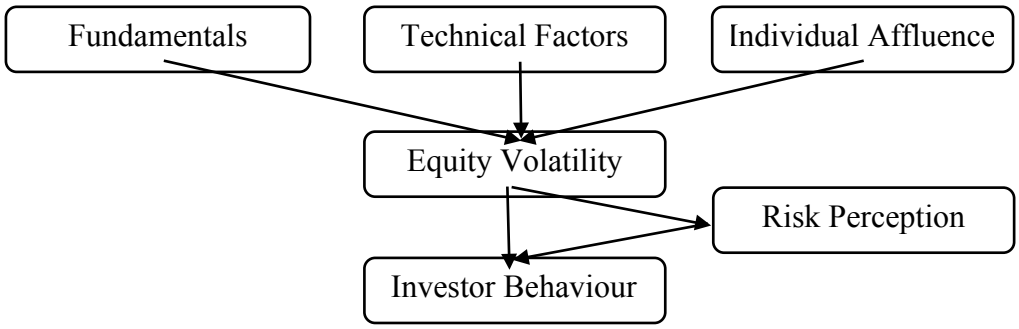
IV. Literature Review And Hypotheses Development

Fundamental factors, encompassing a company's financial health, earnings, and industry performance, are widely acknowledged as crucial drivers of investment decisions (Lubis, 2019). The significance of fundamental analysis in identifying undervalued stocks and making informed investment choices. Similarly, the

impact of industry-specific trends and economic indicators on investment outcomes, reaffirming the importance of fundamental factors in shaping investment strategies (Pallathadka, 2020). It delves into the realm of technical factors, exploring the impact of market trends, price patterns, and trading volumes on investment decisions (Boda and Sunitha, 2018). The role of technical analysis in identifying short-term price movements and facilitating timely trading decisions. The influence of technical indicators on investor behavior, demonstrating the utility of technical analysis in navigating market dynamics (Haritha and Rishad, 2020). The individual affluence as a determinant of stock market investing unveils the intricate connection between investors' financial capabilities and their investment choices (Sukesti et al., 2021). The influence of disposable income and net worth on investment portfolio composition, affirming the significance of affluence in shaping investment diversification strategies (Kartini and Nahda, 2021). Moreover, the role of individual affluence in influencing risk tolerance and investment horizons, showcasing how financial resources impact investors' willingness to take on risk and pursue long-term strategies (Junwen and Xinxin, 2017).

Increased volatility can lead to heightened market anxiety and risk aversion among investors, prompting changes in trading strategies to capitalize on short-term price fluctuations. These findings underscore the fundamental role of equity volatility as a key determinant of investor behavior (Jayalakshmi and Lakshmi, 2019). Risk perception significantly shapes investor responses to volatile markets. Psychological assessments of risk play a crucial role in shaping decision-making, influencing investors' willingness to engage with volatile assets (Gujrathi et al., 2023). The body of work collectively highlights risk perception as a critical intermediary that connects equity volatility to investor behavior, offering insights into the cognitive processes that guide investment choices within the Indian stock market (Kanagasabai and Aggarwal, 2020). Volatility often leads to increased market anxiety and prompts investors to adopt more cautious strategies. Additionally, market volatility has been shown to impact trading volumes and patterns, with investors adjusting their behaviors to capitalize on short-term price fluctuations (Amine et al., 2023). Risk perception serves as a cognitive bridge between equity volatility and investor behavior (Saivasan and Lokhande, 2022). The psychological assessment of risk significantly influences investment choices, guiding investors' willingness to engage with volatile assets (Li et al., 2023). The review of literature assisted to design the following (Figure 1) conceptual framework to test with relevant hypotheses.

Figure 1: Conceptual Framework



Hypotheses Proposed:

$H_{1.1}$: Precursors have significant impact on fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour.

$H_{1.2}$: Fundamentals, technical factors, and individual affluence have significant effect on equity volatility.

$H_{1.3}$: Equity volatility has significant effect on investor behaviour.

$H_{1.4}$: Risk perception significantly mediates between equity volatility and investor behaviour.

$H_{1.5}$: Socio-economic profile has significant effect on research constructs.

V. Research Methodology

The research methodology employed in the study involves a systematic approach to investigate the intricate relationship between equity volatility, investor behavior, and risk perception. The study targets a sample size of 490 investors, drawn from stock market terminals, utilizing purposive sampling to ensure participants possess a sound understanding of stock market dynamics. The sample size is determined using the Cochran formula, ensuring statistical validity, with the chosen size exceeding the minimum requirement of 384 participants. The cause and effect research design is adopted, enabling the exploration of causal relationships among the variables under investigation. To gather empirical data, a structured questionnaire is employed for survey administration. Socio-economic profile analysis is conducted using percentage analysis to test demographic arrangement of the sample. For assessing the mediating role of risk perception, Structural

Equation Modeling (SEM) is employed. SEM allows for a comprehensive examination of causal relationships among the research constructs like, equity volatility, risk perception, and investor behavior. Furthermore, the effect of socio-economic profiles on the research constructs is evaluated using One-way ANOVA, followed by post-hoc test to identify specific group differences. This analysis contributes to a deeper understanding of how demographic factors may influence the research variable.

VI. Results And Discussions

Socio-Economic Profile

An attempt is paid to check the socio-economic profile of investors; its composition is depicted in table 1.

Table 1: Socio-Economic Profile

Profile	Distribution	Frequency	Percentage
Gender	Male	275	56.1
	Female	215	43.9
Age	Below 30 years	186	38.0
	30 – 45 years	243	49.6
	Above 45 years	61	12.4
Education	Up to HSC	204	41.6
	Under Graduate	137	28.0
	Post Graduate	149	30.4
Annual Income	Below Rs.5,00,000	362	73.9
	Rs.5,00,000 – 10,00,000	81	16.5
	Above Rs.10,00,000	47	9.6
Source of Income	Employed	107	21.8
	Business	171	34.9
	Retired/Others	212	43.3

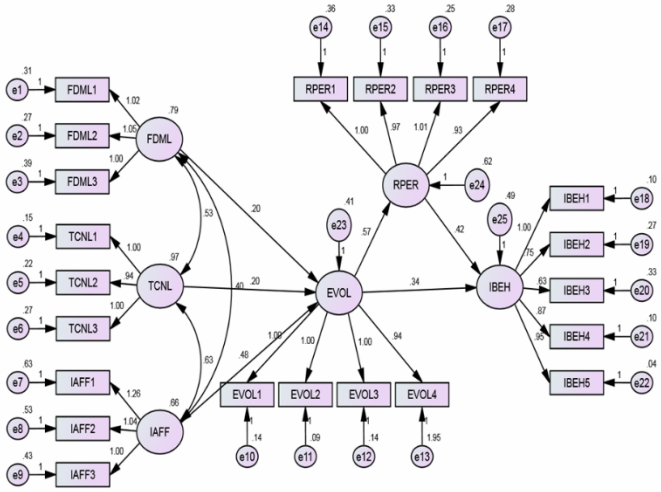
Source: Primary Data

Table 1 discloses that gender contains 56.1% of male investors and 43.9% of female investors. Age furnishes that 38.0% of investors are in below 30 years of age, 49.6% of investors are in 30 – 45 years of age, and 12.4% of investors are in above 45 years of age. Education reveals that 41.6% of investors are educated up to HSC, 28.0% of investors are completed under graduate degree, and 30.4% of investors are qualified with post graduate degree. Annual income shows that 73.9% of investors are fall under the income level of below Rs.5,00,000, 16.5% of investors are in Rs.5,00,000 – 10,00,000, and 9.6% of investors are fall under the income level of below Rs.10,00,000. Source of income reveals that 21.8% of investors are sourcing income through their employment, 34.9% of investors are earning income through business, and 43.3% of investors are sourcing income from pension, agriculture and so forth.

Causal Relationships among Research Constructs

The cause and effect connections among the fundamentals (FDML), technical factors (TCNL), individual affluence (IAFF), equity volatility (EVOL), risk perception (RPER) and investor behaviour (IBEH). The relationship among such variables are tested with observed and unobserved, and exogenous and endogenous variables. The observed, endogenous variables consist of FDML1 – FDML3, TCNL1 – TCNL3, IAFF1 – IAFF3, EVOL1 – EVOL4, RPER1 – RPER4, and IBEH1 – IBEH5. The unobserved, endogenous variables consist of EVOL, RPER, and IBEH. The unobserved, exogenous variables consist of FDML, TCNL, IAFF and e1-e25. Therefore, the model encompasses 53 variables, it is classified as 25 endogenous variables and 28 exogenous variables. Further, 22 variables are observed and 31 are unobserved. In this way, structural equation model is depicted in figure 2.

Figure 2: Structural Equation Model



Path analysis is presented with unstandardized and standardized coefficients in table 1.

Table 2: Path Analysis

Path			Unstd. Estimate	Std. Estimate	t	p
FDML3 - Better economic conditions	<---	FDML	1.000	.819		
FDML2 - Positive parameters in the industry	<---		1.046	.874	21.714	***
FDML1 - Higher profit earning capacity of firm	<---		1.019	.854	21.227	***
TCNL3 - Psychological belief on short and long	<---	TCNL	1.000	.884		
TCNL2 - Prediction of future stock prices	<---		.944	.894	28.628	***
TCNL1 - Estimation of past price trends	<---		.995	.931	30.964	***
IAFF3 - Expectation of high liquidity	<---	IAFF	1.000	.779		
IAFF2 - Able to construct efficient portfolio	<---		1.037	.757	16.521	***
IAFF1 - Higher level of disposable income	<---		1.259	.790	17.251	***
EVOL4 - Influence of derivative market	<---	EVOL	.944	.534	13.255	***
EVOL3 - International events and regulatory changes	<---		1.001	.928	37.284	***
EVOL2 - Information streams in the market	<---		1.000	.954	40.763	***
EVOL1 - Trading volume and velocity	<---		1.000	.927		
RPER1 - The extent of price fluctuations	<---	RPER	1.000	.844		
RPER2 - Higher return and low risk expectation	<---		.968	.847	23.203	***
RPER3 - Past experience on risk management	<---		1.011	.885	24.861	***
RPER4 - Historical returns and losses	<---		.928	.856	23.579	***
IBEH1 - Herd mentality in stock trading	<---	IBEH	1.000	.946		
IBEH2 - Trading style and investment horizon	<---		.755	.806	26.905	***
IBEH3 - Diversification in stock selection	<---		.635	.721	21.334	***
IBEH4 - Active and passive investment strategy	<---		.871	.935	42.352	***
IBEH5 - Specific investment goals	<---		.949	.974	51.304	***
EVOL	<---	FDML	.200	.190	3.940	***
EVOL	<---	TCNL	.204	.215	3.018	.003
EVOL	<---	IAFF	.479	.415	5.548	***
RPER	<---	EVOL	.566	.558	12.489	***
IBEH	<---	EVOL	.345	.340	7.602	***
IBEH	<---	RPER	.420	.420	8.960	***

Source: Primary Data

Fit index values are estimated after the execution of structural model, the computed fit indices assure a perfect model fit with the data. In this way, the estimated CMIN/df value is 3.113, it is lesser than accepted threshold level of 3 – 5, it certifies a strong fit. Moreover, the ascertained RMSEA value is 0.56, it is safely lower than the edge level of 0.06. The goodness of fit indices (0.907 for GFI, and 0.903 for AGFI) and baseline comparisons (0.957 for CFI, 0.951 for TLI, 0.958 for IFI, 0.929 for RFI, and 0.939 for NFI) are exceeded the standard mark of 0.9.

Table 2 presents important aspects relating to equity volatility and investor behaviour in stock market. The aspects are fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour. The p-values are significant at 1% level and it is strongly in favor of hypothesis ($H_{1.1}$). It authorizes that precursors have significant impact on fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour. Under fundamentals dimension, positive parameters in

the industry is the main cause to invest in stock market, whereas, better economic condition is a least cause for investors to invest in stock market. Investors often consider technical aspects in stock market investing, estimation of past price trends is the foremost factor to invest but psychological belief on short and long has little effect to invest in stock market. Individual affluence is a foremost prerequisite to invest in stock market, higher level of disposable income is a vital characteristic but able to construct efficient portfolio is slightest characteristic to invest in stock market. It is ascertained that information streams in the market is the foremost element to cause volatility in equity stocks, but, influence of derivative market has slight effect to create volatility in stock market. Past experience on risk management plays important role in establishing risk perception, but the extent of price fluctuations has little effect on forming risk perception among investors. Specific investment goals are the main contributor towards governing investor behaviour but diversification in stock selection is the least contribution in managing investor behaviour.

The effect of fundamentals, technical factors, and individual affluence on equity volatility is investigated. The results are statistically significant at 1% level, hypothesis ($H_{1.2}$) is validated. It is proved that fundamentals, technical factors, and individual affluence have significant effect on equity volatility. Remarkably, the coefficients confirm that one-unit increase in fundamental factors corresponds to a 0.200-unit upsurge in equity volatility in stock market. Similar to that one-unit increase in technical factors correspondents to a 0.204-unit upsurge in equity volatility in stock market. Furthermore, one-unit increase in individual affluence correspondents to a 0.479-unit upsurge in equity volatility in stock market. These factors confirm that fundamentals, technical and individual affluence have stringent effect on equity volatility. The hypothesis ($H_{1.3}$) confirms that equity volatility has significant effect on investor behaviour. The result confirms that one-unit increase in equity volatility correspondents to a 0.345-unit upsurge in investor behaviour concerning investments in stock market.

Precursors play a pivotal role in shaping various facets of financial markets. They exert a substantial impact on fundamental factors, such as economic indicators, corporate performance, and market sentiment. Technical factors can guide traders and investors in making skillful decisions. Furthermore, individual affluence, or the financial well-being of investors, is closely tied to precursors as well. Changes in personal financial circumstances, such as income levels or savings, can influence investment decisions and market participation. In this complex interplay of variables, precursors act as key drivers of risk perception and investor behavior, ultimately shaping the dynamics of financial markets. Fundamentals, technical factors, and individual affluence are interlinked with equity volatility, forming a dynamic relationship in the world of finance. Traders and investors use technical analysis to gauge the potential for price fluctuations, and their actions can, in turn, affect market volatility. Individual affluence, tied to personal risk tolerance, can influence the extent to which investors engage with volatile markets. As equity volatility changes, it can lead to shifts in investor sentiment and behavior, making it a critical factor in shaping the overall market landscape.

Mediating Effect of RPER between EVOL and IBEH

An attempt is paid to check the mediating effect of risk perception between equity volatility and investor behaviour. In this manner, the hypothesis ($H_{1.4}$) declares that risk perception significantly mediates between equity volatility and investor behaviour.

Table 3: RPER between EVOL and IBEH

Impact	Path			Estimate	p
Mediation Path A	RPER	<---	EVOL	.566	***
Direct Path	IBEH	<---	EVOL	.345	***
Mediation Path B	IBEH	<---	RPER	.420	***

Table 3 presents that the magnitude of direct effect of equity volatility on investor behaviour is 0.345. To verify the mediating effect of risk perception, the value observed for equity volatility on risk perception is 0.566 (Mediation Path A) and, the value observed for risk perception on investor behaviour is 0.420 (Mediation Path B). The product of Path A and Path B is (0.566 x 0.420) is 0.23772 adding direct effect shows a total effect of 0.58272. The variance computed for this mediation effect of 0.4079, it exceeds the minimum threshold value of 0.2, it strongly indicates partial mediation effect. It confirms that risk perception significantly has partial mediation between equity volatility and investor behaviour. It stresses that risk perception activities, stimulated by equity volatility, acts as a significant partial mediation on investor behaviour.

Impact of Socio-Economic Profile on Research Constructs

The impact of socio-economic profile of investors on fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour is tested through One-way ANOVA. The hypothesis ($H_{1.5}$) states that socio-economic profile has significant effect on research constructs.

Table 4: One-way ANOVA

	Gender		Age		Education		Annual Income		Source of Income	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.
FDML	3.115	.078	0.439	.645	2.605	.075	12.167	.000***	1.406	.246
TCNL	0.151	.698	8.367	.000***	5.724	.003***	14.145	.000***	1.552	.213
IAFF	0.621	.431	10.605	.000***	5.845	.003***	14.156	.000***	0.912	.402
EVOL	1.539	.215	3.934	.020**	0.558	.573	10.840	.000***	0.628	.534
RPER	0.195	.659	5.538	.004***	4.803	.009***	22.035	.000***	0.189	.827
IBEH	0.477	.490	5.210	.006***	1.144	.320	8.432	.000***	0.411	.663

**** 1% Significance, ** 5% Significance*

Table 4 presents that age has significant effect on technical factors, individual affluence, equity volatility, risk perception and investor behaviour at 1% significance level. Then, subgroup formation is checked through post-hoc test for the significant results. Tukey B post-hoc test created two equal subsets such as, 30 – 45 years in subset *a*; and below 30 years and above 45 years in subset *b* for technical factors and individual affluence. The test also created two equal subsets such as, 30 – 45 years and below 30 years in subset *a*; and above 45 years in subset *b* for equity volatility, risk perception and investor behaviour. Education has significant effect on technical factors, individual affluence, and risk perception at 1% significance level. Ryan-Einot-Gabriel-Welsch F test created two equal subsets such as, under graduate in subset *a*; and up to HSC and post graduate in subset *b* for technical factors and individual affluence. The test also created two equal subsets such as, under graduate and up to HSC in subset *a*; and post graduate in subset *b* for risk perception. Annual income has significant effect on fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour at 1% significance level. Student-Newman-Keuls post-hoc test created two equal subsets such as, below Rs.5,00,000 and Rs.5,00,000 – 10,00,000 in subset *a*; and above Rs.10,00,000 in subset *b* for on fundamentals, technical factors, individual affluence, equity volatility, risk perception. The test also created three equal subsets such as, below Rs.5,00,000 in subset *a*; Rs.5,00,000 – 10,00,000 in subset *b*; and above Rs.10,00,000 in subset *c* for investor behaviour. On the other hand, gender and source of income has no significant effect on fundamentals, technical factors, individual affluence, equity volatility, risk perception and investor behaviour. Since, the f-values are no significant for gender and source of income.

VII. Conclusion

The study has explored several factors that influence equity volatility and investor behavior within the stock markets. Results revealed that the significant impact of fundamentals, technical factors, and individual affluence on equity volatility, reinforcing the notion that stock market is influenced by a myriad of factors that extend beyond traditional economic indicators. Fundamentals emerged as key drivers of equity volatility. As changes in these fundamental factors occur, the markets respond with fluctuations that can affect investors' risk perception and behavior. This highlights the fundamental role of information and data in shaping market dynamics and, subsequently, investor decision-making. Technical factors, such as chart patterns and trend analysis, also exhibited a substantial influence on equity volatility. Investors rely on technical analysis to gauge market trends and make informed decisions. The relationship between technical factors and equity volatility underscores the role of market sentiment and trader behavior in shaping the financial landscape.

Individual affluence, as represented by annual income, is represented to be a crucial factor in influencing equity volatility and investor behavior. Higher income levels often correlate with increased participation in financial markets, suggesting that personal financial circumstances play a crucial role in investment decisions. Moreover, annual income's impact on risk perception highlights the nuanced relationship between financial well-being and investors' attitudes toward risk. Age emerged as a significant determinant, influencing technical factors, individual affluence, equity volatility, risk perception, and investor behavior. It emphasizes the evolving nature of financial decision-making over the life course. Younger investors may exhibit different risk profiles and investment strategies compared to their older counterparts. Understanding the role of age in financial decision-making can aid in tailoring financial products and strategies to different age groups. Education, though not as influential across all domains, showed a significant effect on technical factors, individual affluence, and risk perception. Education level can equip individuals with the knowledge and skills required to engage with financial markets, potentially leading to more informed investment choices and a greater awareness of risk.

Furthermore, the partial mediation effect of risk perception between equity volatility and investor behavior highlights the importance of how individuals perceive risk in financial decision-making. Investors' attitudes toward risk mediate the relationship between the inherent volatility in equity markets and their ultimate behavior, emphasizing the psychological dimension of investing. It is noteworthy that gender and the source of income failed to exhibit significant effects on the variables, emphasizing that these demographic characteristics do not play a substantial role in shaping fundamentals, technical factors, individual affluence, equity volatility,

risk perception, and investor behavior. Ultimately, this study provides a valuable foundation for policymakers, financial institutions, and investors to make informed decisions and develop strategies that align with the intricate web of factors that influence the financial world.

VIII. Research Implications

The research holds several significant implications for both academia and practical applications. Academically, the study contributes to the existing body of knowledge by uncovering the intricate interplay between equity volatility, risk perception, and investor behavior. The identification of risk perception as a mediating factor adds depth to the understanding of the psychological mechanisms guiding investor decision-making within volatile market conditions. Moreover, the study offers a methodological template for future research endeavors in the field of behavioral finance. On a practical level, the insights from this study can guide investors, financial practitioners, and policymakers in navigating the complex Indian stock market environment. Understanding how risk perception mediates the relationship between equity volatility and investor behavior can empower stakeholders to formulate more informed investment strategies, tailor risk management approaches, and design effective investor education initiatives that resonate with the cognitive processes at play in market participants.

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