Investors’ Expertise and Investment Decision: A Moderator Mediation Model

Prof. (Dr.) C.S.Yadav*, Dr.Monika Bhatia**

*Professor, School of Management Studies, Graphic Era Hill University, Dehradun (U.K).
**Associate Professor, Department of Management, Gurugram University, Gurugram (HR)

ABSTRACT
The growth rate of investments in mutual funds is certainly the most significant phenomenon of present date financial markets. Over the years, mutual funds have been a branch whose assets now become the largest among other financial intermediaries. In this industry, which has focused its attention on marketing, its products have been cut to a wider population The aim of the present research is to explore the relationship between risk perception and investment decisions in mutual funds. This study is also an attempt to explore the role of expected return in investment decision of investors in the mutual fund industry. The current research is able to further deepen the relationship of investor expertise with investment decisions, risk perception and retail investors’ expected return.

Keywords: Investment Decisions, Perceived risk, Investors expertise, expected return, Mutual Funds.

INTRODUCTION
Financial markets play an important role in creating safe, effective and competitive capital markets to ensure economic growth, low capital costs, entrepreneurship, innovation and job creation (Rezaee, Z., 2019). A rational man has a wealth of investment vehicles. Investing in the stock market for retail investors is a necessity today especially in high inflation economies like India (Sivaramakrishnan, S., & Srivastava, M., 2019). Investing in gold, real estate and corporate stocks is one of the most desirable options for investment, as the amount of money available for investment. Unexpected monetary policy can have a significant impact on stock returns (Han, G., Wu, Y., & Young, W., 2014). The ability to take risks and the expected return on investment differ between individuals. Among the available investment opportunities, mutual fund is one of the best options that provide the investor with a variety of different options i.e. regarding the amount of money that can be allocated to investment, as programs such as systematic investment plans provide an opportunity for small investors for those who have a large amount of investment, and various types of funds such as debt, growth funds, and mutual funds. The choice of investors are based on his risk appetite, expected return, etc., that determines his choice for investing in particular investment avenue. The main rationale of the investors engaged in investment is to maximize their income and minimizing their expenses and risk involved with it. In financial literature, people are considered to act with discretion while searching for their benefits. Under these specific circumstances, people save a certain penny after fulfilling their basic needs and demand from their income. In the financial system, people route
their hard-earned savings into investment for expecting a good return. The probability of profit and loss or involved risk in the investment process makes it difficult for individuals to make investment decisions. Stock investing is a stressful experience (Barro, R. J. (1990)), and this is especially true in a loss situation. Emotional stress from significant loss may well be detrimental to effective decision making regarding future investments (Salovey, P., 2001). A mutual fund is one of the best-known investment vehicles today. The top mutual funds are greater investment tools for individuals of all economic means and to achieve many financial goals (Tyson, E., 2017). Institutional ownership with a conflict of interest in mutual funds signals a negative impact on fund performance (Fikri, S. M., 2019). Most mutual funds indicate poor market performance under the bull and bear conditions. But in bull market conditions, most mutual funds have shown good stock selection performance (Paramita, V. S. et. al., 2017).

However, there is a huge variety of mutual funds offered for investors (Wang, (2014). The most important criteria is how to select a good investment fund to increase one's wealth. Assets managed by the Indian Mutual Funds sector increased from Rs 23 trillion to 26.14 trillion in October 2019 which represents 12.88% growth in assets compared to October 2018. Even as mutual fund assets continue to swell in India against strong cash flow Financial and economic specialists bring up that the all out AUM is still exceptionally low at about 11% of the nation's GDP, and there is a plausibility of a stunning development prospect. As far as AUM of mutual funds as a level of total national output (GDP) at just 11% contrasted with the worldwide normal of about 62%. Strangely, the France has a mutual fund as a level of AUM at 76% according to AMFI's report (2019-20).

While mutual fund companies understand well the need for effective marketing ((Geer, J. F. (1997)), they have limited understanding of how consumers make choices in this market. As a result, this is an industry that costs more than $1 billion, with little knowledge of consumer selection processes. This is an important aspect for making their marketing and public policy decisions. Purchasing for financial instrument has become increasingly like shopping for many other consumer items (Wilcox, R. T., 2003). Because consumer reports rate the quality of a variety of items we buy, there is no lack of publicly available information that purports to offer insights into the "quality" of various mutual funds. Consumers can easily collect information on the past history of different funds, the costs associated with buying and holding shares in each, aswell as the stated investment objectives of the funds. With all the choices and sources of information available to them, Investors get more involved in their investment choices (Levitt 1998).

While there is no dearth of studies in literature on factors affecting investment decision like Nagy and Owenberger (1994), Al-Tamimi (2006), and of Gil and Bigger (2009), yet, most of them have primarily focused on qualitative aspects resulting in a need for empirical evidence to comprehend the influence of skills and perceptual aspect of investors on their investment decision specially towards mutual-fund investment. This research work, thus, investigates the influence of investors expertise on the investment decision along with the role of perceptual aspect like risk perception and expected return in it.

The study throws light on the following questions:

1. Investors expertise on the investment decision towards mutual fund?
2. How does the perceptual aspect like risk perception significant with respect to investment decision towards mutual fund?
3. How the individual factor of expected return does facilitate the relation between investors expertise on the investment decision towards mutual fund?

To answer the above mentioned questions the research work proposes a research model that implements structured equation modelling as a statistical technique and uses samples gathered from mutual fund investors to model the relationships among Investors expertise, risk perception, expected return and investment decision.

Given the practical perspective, the research study provides information on Investors expertise for the investment decision towards mutual fund. It also facilitates insight into the role of risk perception, expected return for facilitating investment decision. The research work is structured 6 sections starting with introduction. Section 2 reviews the literature extensively and lays the foundations for hypotheses. Section 3 describes the development of the devices, the demographic profile of the respondents and the data collection process. Section 4 presents the results for data analysis. Section 5 discusses the findings of the study. Section 6 describes the limitations of the study and describes instructions for future research.

THEORETICAL FOUNDATION AND HYPOTHESIS FOUNDATION

Theoretical foundation

The theoretical construct of the present study was derived from ‘The Theory of planned behavior’ (Ajzen, I, 1985). The theory states that behavior, subjective norms, and intentions for perceived behavioral control shape one’s intentions and behavior. In our study, the investment decision acts as a behavior that is observable in a particular situation vis-à-vis a given goal, behavioral intent is risk perception and it is expected to moderate the effect of intent on behavior. Investment expertise that is in control of a person's behavior and risk perception is considered a normative belief, which is a perception of normative social pressure

Investment Decision

An investment decision is important for a person to pursue his or her life peacefully and willingly. Spending and saving are two sides of the same coin. Saving is arising from safe or controlled consumption (Haugen, R. A., & Haugen, R. A. (2001)). But saving on investments requires strong intentions. Savers are expected to earn future returns. Investment is a currency conversion into assets, assets that can generate future returns. An investment process provides a methodology for achieving two goals, with the first important goal being to convert investment savings, the second is to choose a balanced approach in securities selection (Lee, W. S et al.(2011)). An investment decision requires intensive planning. People regularly lose their earning money for lack of planning. The investment decision making is influenced by many factors. These factors are internal or external. External factors are universal to everyone, while internal factors are unique among different people. These days, investors are faced with an increasingly complex investment environment in which massive amounts of information need to be processed (Li C W, Tiwari A, Tong L , 2017).

Al-Tamimi (2006) states that investors judge equity data, self-image / corporate image, impartial information such as familiarity with macroeconomic data indicators, expert suggestions and personal financial desires before investing in equity. Investors invest in equity securities for a high return rate and risk diversification. Investors argue that despite the wealth maximization criterion is important to researchers, they use a variety of investment selection criteria in shares (Nagy, R. A., & Obenberger, R. W., 1994). When an investment option becomes a focus, investors are likely to fall in love with it...
prematurely. Premature infatuation with discretion has a strong potential to lead to suboptimal choices, and having financial expertise doesn’t make people immune to this effect. (Posavac et al., 2019). The overall negative impact of investment uncertainty decreases with the degree of reflection (Drakos, K., & Goulas, E., 2008). The (perceived) expertise of the investor is one of the main characteristics that influence investment decisions. Gill and Bigger (2009) pointed out that the equity investor relationship is influenced by the expertise of their equity investments as part of their entire portfolio. Byron, K. (2005) stated that better experience and knowledge in investing enables individual investor to make better investment decisions. The more accurate investors experience, risk through information, the better they comprehend the connection among risk and return for mutual fund investment. A better understanding of the relationship between perceived risk and required return on mutual fund investment may prompt a higher propensity for mutual fund investment (Gill and Bigger, 2009). Barber, B. M., Odean, T., & Zhu, N. (2008) found that individual investors show attention-driven buying behavior and it’s important to understand mutual fund investors financial market data. Anand, P., & Cowton, C. J. (1993) reported that individuals make purchase decisions of their stock funds, according to economic criteria, among others. Furthermore, they state that speculative factors such as ‘recent stock price movements’ and ‘favorable stock prices’ have a significant impact on investors’ investment behavior. Damayanti, S. M. et al. (2018) stated that, strategic asset allocation in a rebalancing strategy is considered to be the best strategy can be implemented by investors of mutual fund who are willing to improve returns.

**Investment expertise and investment decision:**
Chen et al, found in their study, that there is trade within market timing and the ability to choice of mutual fund. (Chen (1992). When managers have the expertise to choose securities or time-suppressed mutual fund assets, they produce good results. They further stated that, changes are positively related to choice and negatively related to market timing. Investors who pose expertise or professional experience sometimes it helps them in making good decisions; however, experts who are aware of their expertise knowledge in some areas may often suffer from different behavioral biases more than individual investors (Braun et al, 1992)). Many behavioral scientists have recognized the sensitivity of cognitive and emotional bias among professional or expert investors compared to those employed in the capital market or even in neonates (Tyszka, T., & Zielonka, P. (2002)). Expert or professional investors are at particular risk of deviating from a logical step if the works are not transparent and there is no unilateral indication of a suitable solution (Verma, et al. (2008)). Verma further stated that professional investors or expert can be more convinced of a good understanding of the issue and do not change their initial position. Investor’s expertise is an important factor for investor to analyze the stock related information (Tu, B., & He, C., 2020). The Investee firms always get benefited from the expertise possessed by lead investor (Xiao, L., 2019).

Gill, et al (2011) describe that, the expertise of the investor is one of the key features that influence the investment decision. Gill and Bigger (2009) point out that the proportionate investment of equity investor as the part of his entire portfolio, is favorably influenced by his investment expertise. Hence for the present study on Indian mutual fund market, the following hypothesis is made.
H01: There is significant positive relationship between investors' expertise and investment decision of mutual fund investors.

Risk Perception as Mediator
Broihanne, et al. (2014) found in their study that risk taking decreases with respect to both measures of risk perception and/or with respect to risk aversion and investor experience. They observed the strong role that risk perception plays in relation to risk-taking behavior. In relation to overconfidence measures, overconfidence has a strong positive and significant effect on risk-taking behavior. Investors' risk assessment plays a crucial role in explaining risk taking decisions (Broihanne, 2014). Personal characteristics, Gender, age, financial literacy and investment habits of investors may strengthen the framing effects, leading to skewed risk perception and investment decisions that cause prejudice, which is found among highly educated people (Linciano, 2018). The perception of operative risk in the market and their fear of adverse price changes in relation to their expectations are due to the asymmetrical density obtained (Aloulou, A., & Boujelbene, Y., 2019). Risk perception mediates the effect of risk tendency on risk behavior. It is observed that both risk tendencies and risk perceptions influence the risky taking behavior of the investor (Hamid, F. S., 2020). Based on the above theoretical inputs we can establish the following hypothesis. Hence as literature exhibited the relationship of investors' expertise and risk perception, also it has been found that risk perception can be a potential mediator (Baron & Kenny, 1986) between investors’ expertise and investment decision of mutual fund investor.

H02: Risk perception of mutual fund investors negatively mediates the positive relation between investors’ expertise and investment decision

Expected return as moderator
Individual decision making can be viewed as a result of dealing with expectations and preferences, given the constraints imposed by the budget and the market. The information available to the investors and his beliefs determines the possible outcomes and their subjective probabilities, and their desires or desires determine the values or services of the possible outcomes (Antonides, G., 1990). The historical representations of historical asset returns were the formats. They have a significant impact on the expected return of assets. The ruling had a small and unusual effect Property risk, which in turn was a better predictor Asset allocation rather than expected volatility. Other things like displaying property names In contrast, investors greatly influenced (reduced) risk perceptions and returns (Weber, 2005). Investment decision-making is influenced by financial, economic-psychological and investor-specific factors such as risk perception, expected return and preference (Antonides, 1990). Methodologically valuable is the explicit separation of the ‘expectation’ and ‘preference’ components of the investment decision-making process. The operation of the main effects on each of them related to perception rather than actual events, as well as the estimation results is interesting in themselves. Therefore for the study we have formulated following hypothesis.

H03: Expected return of mutual fund investors positively moderate the positive relation between investors’ expertise and investment decision.
Theoretical model
An evaluation model was developed to measure the relationship between the selected variables based on the proposed literature. The following estimation model was evaluated using a five-point scale (Likert) with a strong disagreement (1) score from the strong agreement (5).

Figure No. 1: Hypothesised Model

RESEARCH METHODOLOGY Data collection and Questionnaire
The data has been collected with the help of a Self-administered questionnaire. Investor expertise was assessed using four item adopted from the study of Jordan and Kaas (Jordan, J., & Kaas, K. P., 2002). Risk perception and expected return were adopted using four items and one item adopted from the study of Deb, S., & Singh, R. (2018). Investment decision was assessed by two items adopted from the study of A. Gill et al (2011). Cai et al, (2018) and Turulja and Bajgoric (2018) have also demonstrate high relationships between the self-administrated questionnaire and the objective metrics. The simple random sampling method was used to select responders. A google form was floated to 750 mutual fund investors out of 1300 mutual fund investors, identified from 2 public and 14 private mutual fund institution. The questionnaire sent to the responders through email and social networking site like: Facebook, whatsapp and linkdin. Respondents were assured that their personal responses would be kept confidential. To increase the response rate, an e-mail was sent after the first, third and fifth week of the first mail. The total response obtained was 488, of which 410 were usable (54.30%) similar response rates have been reported by several other studies such as Abiodun and Aviodon (2017) and Yasir et al. (2016).

Table 1: Respondents Profile

<table>
<thead>
<tr>
<th>Particular</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>301</td>
</tr>
<tr>
<td>Female</td>
<td>109</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>Upto 25 years</td>
<td>158</td>
</tr>
<tr>
<td>26 to 40 years</td>
<td>182</td>
</tr>
<tr>
<td>41 to 55 years</td>
<td>49</td>
</tr>
<tr>
<td>56 and Above</td>
<td>21</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Under Graduate</td>
<td>81</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>149</td>
</tr>
<tr>
<td>Professional</td>
<td>168</td>
</tr>
</tbody>
</table>
ANALYTICAL APPROACH
To ensure that all items of the model built were loaded in their respective constructs significantly, confirmatory factor analysis was applied to the measurement model (using AMOS 21). The measures used to judge the fit were Chi-square statistics, Comparison Match Index (CFI), Mean Root Mean (SRMR), Approximate Root Root Error (RMSEA), and PClose (Ho and Bentler, 1992). As Ho and Bentler (1999) have suggested for an excellent model fit, CMIN / DF has a value of more than 1; Relative Adjustment Index value of 0.95 or higher; SRMR value of 0.08 and below; RMSEA value of 0.06 and below and P Close value greater than 0.05. The proposed hypothesis was tested using the SPSS process as proposed by Hay (Hayes, 2013).

RESULTS
Descriptive Statistics
The mean, standard deviation, skewness, kurtosis and inter-correlation of each scale has been shown in table-2. The value of skewness and kurtosis of all the construct are negative but lies within (-/+ 1) hence assumed to be normally distribution (Schutz, R. W., Gessaroli, M. E., & Singer, R., 1993). All the values of inter-correlation coefficient of scale are significant at the p<.01 level and also all the correlation coefficient is below the threshold of 0.7, hence the chances of multicollinearity in regression (Tabachnick& Fidell, 2007) is minimum. Further, variance inflation factor of all the independent variable in the regression analysis is below 5, hence multicollinearity is not an issue in the present study and measures were appropriate (Ringle et al., 2015) for further analysis. The data in the study is cross sectional in nature therefore, we are not testing the for the causal relationships of the variable. Hence the result of the study portrays non-directional relationships among variables. Durbin Watson statistics for the construct is 1.911, hence there is not issue of auto-correlation (King, 2013) in the data. Diagonal values in bold letter in table 2 represents Cronbach alpha coefficient of the construct. All the values are above 0.9 indicates excellent internal consistency of the scales.

Table 2: Descriptive Analysis

<table>
<thead>
<tr>
<th></th>
<th>Descriptive Statistics</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Statistic</td>
</tr>
<tr>
<td>ER</td>
<td></td>
<td>3.198</td>
<td>1.46</td>
<td>- .285</td>
</tr>
<tr>
<td>INV_DEC</td>
<td></td>
<td>2.4788</td>
<td>.841</td>
<td>08</td>
</tr>
<tr>
<td>PERC_RISK</td>
<td></td>
<td>3.0141</td>
<td>1.160</td>
<td>73</td>
</tr>
<tr>
<td>INV_EXP</td>
<td></td>
<td>3.2311</td>
<td>1.110</td>
<td>86</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).
Measurement Model
Analytical Approach
Confirmatory Factor Analysis has been applied to the measurement model for evaluation of loading of the core construct items into their corresponding constructs (using IBM.SPSS, Amos.v21). The direct effect moderation model (A. F. Hayes, 2015) is used in the proposed study supported by Model 5 of PROCESS for SPSS to analyze mediating and moderation effect (Jones et al., 2015, A. Hayes, 2013).
Statistical measures that have been applied to Model Fit testing are goodness of fit for $\chi^2$ (chi-square) statistics ($\text{CMIN} / \text{DF} > 1$), Comparative fit index ($\text{CFI} \geq 0.95$), Standardized root mean square residual ($\text{SRMR} \leq 0.08$), root mean square error of approximation ($\text{RMSEA} \leq 0.06$) and PClose ($\text{PClose} > 0.05$) (Hu & Bentler, 1999, Hair, J Black, W Babin, B Anderson, 2010). Later the proposed hypothesis testing was carried out by Path analysis using SPSS Process Macro (A. F. Hayes & Preacher, 2015).

Confirmatory Factor Analysis

Excellent model fit was augmented by the CFA results which used the measurement model analysis, $\text{CMIN} = 39.863$, $\text{DF} = 32$, $\text{CMIN} / \text{DF} = 1.246$, $\text{CFI} = 0.997$, $\text{SRMR} = 0.022$, $\text{RMSEA} = 0.025$, $\text{PClose} = 0.976$. The composite reliabilities of structures were 0.915 (Inverter’s Expertise), 0.888 (Perceived Risk), 0.710 (Investment Decision), and the convergence validity of the hypothesis model was demonstrated by the high reliability of the construct, shown in table 3. In addition, the average variance extraction values (AVEs) are greater than 0.5 and CR values greater than AVE.
values for each of the variables; Hence the convergent validity conditions are met and do not represent any convergent validity problems (Hair, Black, Babin, and Anderson, 2010).

<table>
<thead>
<tr>
<th>Variable</th>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>Convergent Validity Condition (AVE&gt;0.5, CR&gt;0.7, CR&gt;AVE)</th>
<th>Discriminant Validity Condition (AVE&gt;0.5, AVE&gt;MSV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INV_EXP</td>
<td>0.915</td>
<td>0.728</td>
<td>0.381</td>
<td>Satisfied</td>
<td>Satisfied</td>
</tr>
<tr>
<td>PERC_RISK</td>
<td>0.888</td>
<td>0.666</td>
<td>0.381</td>
<td>Satisfied</td>
<td>Satisfied</td>
</tr>
<tr>
<td>INV_DEC</td>
<td>0.710</td>
<td>0.550</td>
<td>0.253</td>
<td>Satisfied</td>
<td>Satisfied</td>
</tr>
</tbody>
</table>

Discriminant validity of the measurement model was validated by checking that the maximum shared variance (MSV) was lower than the average variance extracted (AVE) for all structures shown in Table 3. Thus, the validity of the distinction between the structures is also determined (Fornell & Larcker, 1981).

Common latent factor method was used to test the common method bias. A latent factor named CLF was added with all the variables observed in the measurement model investigated. The difference between the standard regression weights for the measurement model with and without the latent factor is less than 0.200. This indicates that there are no common method bias issues in this research study (Gaskin & Lim, 2016).

Hypothesis Testing

Structural Model Fit

Given the metrics based on the minimum value of the fit function, we deduce typical indicators that are appropriate for our research work. The model gives $\chi^2$ (chi-square) from 131.476 and higher CMIN points indicate stronger evidence against the NULL hypothesis; df = 48 and Pclose = 0.030 indicating that the model clearly fits the population. The value of chi-square is different with respect to sample size, so the recommendation is to examine other typical measurement metrics. Other model fit indices, in the same way, reflect the model fit to the data. $\chi^2 / df = 2.739$ offers acceptable compatibility between the default model and model data (Hu & Bentler, 1999). CFI = 0.978 shows good fit as value approaches 1. SRMR = 0.089, RMSEA = 0.065 also indicates close fit to model (Arbuckle, 2005) with respect to degree of freedom. Therefore, it can be concluded that the path model meets the criteria for analyzing the fit of the model.
Hypothesis Analysis
Now we can test the hypothesis by interpreting the empirical values obtained for paths in the model. Refer to Tables 4 and 5.

Table 4 Regression analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>β value</th>
<th>t-value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors Expertise → Investment Decision</td>
<td>0.591</td>
<td>14.800***</td>
<td>Hypothesis 1 accepted</td>
</tr>
</tbody>
</table>

Sign *** p<0.001, **p<0.01

Table 4 lists the results of path analysis to test the proposed Hypothesis. Hypothesis 1 proposed that Investors Expertise (IE) and Investment Decision (ID) have a significant positive relationship in mutual fund sector. The p-value < 0.001 and standard coefficient value of 0.591(t= 14.800) specifies the strength of the Investors Expertise and Investment Decision. This supports Hypothesis 1. Hypothesis 2 proposed that Perceived Risk and Investment Decision have a significant negative relationship in mutual fund investment. The p-value < 0.01 and standard coefficient value of -0.129 (t= -2.618) specifies the strength of the Perceived Risk on Investment Decision. This supports Hypothesis 2.

Table 5 Mediation analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>β value (Direct)</th>
<th>β value (Indirect)</th>
<th>β value (Total)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors Expertise → Perceived Risk → Investment Decision</td>
<td>.363***</td>
<td>-0.055***</td>
<td>0.308***</td>
<td>Hypothesis 2 accepted (partial mediation)</td>
</tr>
</tbody>
</table>

Sign *** p<0.001,
Table 5 Shows the results of SPSS Process Macro performed for Hayes Analysis (A. Hayes, 2013); this was to test Hypothesis 3 which stated that Perceived Risk (PR) mediated the relationship between Investment Expertise (IE) and Investment Decision (ID).

A mediator is a variable, which satisfies the following conditions:
Change in independent variable considerably explains the change in the supposed mediator (i.e., path a),

(a) Change in the mediator considerably explains the change in the dependent variable (i.e., path b), and

(b) The formerly significant relationship between dependent and independent variable does not remain significant when paths a and b are controlled, and the resilient demonstration of mediation takes place when path c (independent and dependent variable) is zero.

Concerning condition c, we may predict a range. Only one principal mediator exists when path c is curtailed to zero. On the other hand, if path c is non-zero, this indicates a partial mediating factors (Baron & Kenny, 1986).

IE demonstrated significant relation to ID (path c) and the relationship between IE with PR (path a) was found to be significant; this in turn controlled IE that indirectly influenced ID through the effect of PR. This indirect effect was found to be significant (B= -0.055, p<0.01). Additionally, the direct effect of TL on TE (path c') was also found to be significant (B=0.363, p<0.001). Hence, it is observed that PR partially mediated the relationship between IE and ID. Hence, Hypothesis 3 is supported.

In H4, it was hypothesized that the robust and positive relation of IE and ID enhance with higher score of ER in compare to low score of ER. The result illustrates a significant influence (B=0.032, t=2.075, p< 0.05) of interaction (cross product of ER and IE) supporting H3.

Figure 2 Moderating Effect

Note: Expected Return strengthens the positive relationship between Investors Expertise and Investment Decision of mutual fund investors.
The type and nature of interaction was also studied using an equation generated using one standard deviation above and below the mean score of moderating variable (Aiken et al., 1991). The interaction is pictorially represented in Figure 2. A steep slope of association was found between IE and ID with high score and low score of ER. Hence, ER strengthens the positive relationship between IE and ID thus validates H3.

**DISCUSSION**

The main objective of the present study was to examine whether investment in mutual funds is favorably influenced by their perceived expertise, perceived risk and expected return. Risk is one of the most important feature of all investment options. Many investors who have lost some of their money claim that they were not informed them of this risk when making their investment decisions. Here comes the role of Investors expertise in terms of Investment decision with prior calculation of perceived risk in order to achieve expected returns on investment.

The result of our study determined that investor expertise (IE) and investment decision (ID) have a significant positive relationship in mutual fund investment decisions, as stated by Gill et al in their study (Gill et.al, 2011). The result also stems from our research that perceived risk (PR) and investment decision (ID) have a significant and negative relationship with mutual fund investing, i.e. increase in perceived risk as a result of negative mutual fund investment motivation. Perceived risk (PR) also mediates the relationship between investment expertise (IE) and investment decision (ID). The present study found that there is a strong and positive relationship between investor expertise (IE) and investment decision (ID) improvement with a higher expected return (ER) score compared to a lower ER score.

Finally, investment advisors must comprehend the joint effect of investor expertise of investors, perceived risk of the investor as well as his return expectation. This, in turn, will help financial planner and investment consultant succeed in the area of investment advisory field.

**LIMITATIONS AND FUTURE SCOPE**

The main limitation of this study is that it examines only one product category (mutual funds), which limits inclusion in other investment avenues. Further, we did not categorize the types of assets (eg, equity, debt, money market and mixed asset s) of mutual funds. To do this it is worth doing further research and identifying further differences. In addition, we considered perceived risk, investment efficiency and expected return in this study. Other factors of purchase intention can be incorporated into the comprehensive model and thereby improve the explanatory power of the same. After all, the majority of respondents in our study are aged 21-40 years or younger who do/ may not have a lot of money to invest or invest intention. Hence, the ability to bias exists due to different acquisition behaviors of different ages. Thus, future studies may examine different age groups and education.

The results also show that investors' expertise is important in choosing an investment strategy. In addition, the Mutual Funds Marketing Manager should note that mutual fund information, publications can benefit more and increase consumer awareness. Future research should emphasize examining psychological factors such as self-efficacy, motivation and the degree of investor involvement. Future studies may look at other financial products such as insurance, stocks and term deposits that may produce diverse findings.

**REFERENCES**