

The Influence of Behavioural Factors on Investment Decision Making at Colombo Stock Exchange: Reference to North Central Province

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Abstract

The behavioural factors of investors play an important role when making investment decisions in the Colombo Stock Exchange (CSE). Therefore, the investors have to select proper investment opportunities depending upon their needs, risk preference, and expected return. As a result, the plenty of investment avenues available for the investors make their decision-making process more critical and complex. The main objective of this study was to determine behavioural factors that influence the investment decision-making at CSE. The dependent variable of the study is an investment decision, and the independent variables are loss aversion, regret aversion, mental accounting, and price change. To address the research problem and to accomplish the research goal, the research approach that was used in this study was mainly deductive approach and Explanatory research design. The study was conducted on a sample of 100 individual investors selected by convenience sampling techniques in North Central Province and a structured questionnaire was used to collect the data. The study used descriptive statistical analysis to understand the behaviour of data and multiple regression analysis was used to test the developed four hypotheses. The findings of this study revealed that loss aversion and price change have a significant impact on investment decision-making in CSE, while regret aversion and mental accounting have an insignificant impact on investment decision-making in CSE. Findings support for the investors of CSE to identify the behavioural factors that influence their investment decision making in CSE, for financial advisors to advise their clients better and for the government to develop programmes to encourage other investors. Further, the findings of the study are important to the individual investors, students, researchers, and the field of behavioural finance.

Keywords: Investment decision making, loss aversion, price change