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# An Exploration of the Effect of Investors' Psychographic Characteristics, Knowledge, Attitude and Satisfaction on the Investment Decision of Unit Trust Industry in Sri Lanka

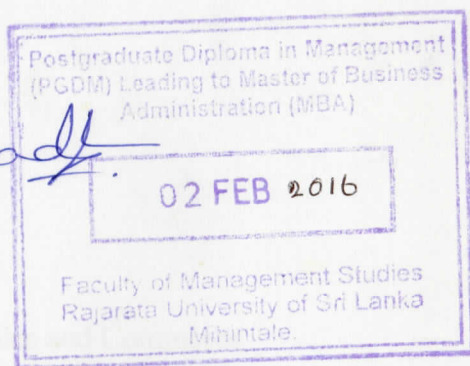
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## Abstract

Financial system is the back bone of a country. Financial system comprises of financial markets, instruments, infrastructure and institutions. Investment Intermediaries is a type of investment coming under Financial Institute, and the Unit Trusts also comes under Investment Intermediaries. A Unit Trust or Mutual Fund is a professionally managed type of collective investment scheme that pools money from many investors and then invest them in a diversified portfolio of investments. An investment through Unit Trust is less risky than direct investment, mainly due to their ability to diversify. Unit Trust industry in Sri Lanka has begun in year 1991. Over the two decades Unit Trust industry has shown some growth, still it has gained only 0.5% market share of the financial sector of the country. This may be due to two reasons: existing investors are leaving the industry and new investors are not entering the industry.

This study aimed to identify the factors influencing the Unit Trust investor to investing in Unit Trust industry. The population of the research covered the purely existing Unit Trust holders in Unit Trust companies in the financial market. Randomly selected 180 individual investors were the sample of the study. Both primary data and secondary data were used in the study. Primary data was collected by self-administrated questionnaire. All the primary data used in the study was categorical type. Data analysis techniques were: Descriptive statistics, Correlation Analysis and Ordinal Logistic Regression Analysis. Cronbach Alpha test revealed that internal consistency of the questionnaire is excellent. Demographic characteristics considered in the study were: age, gender, level of education, employee category, source of income and monthly income of the investors. Majority of the sample of UT investors between to '31 – 40' years category. 70% of the investors were male. Nonparametric correlations coefficients (spearman's rank correlation) were obtained to test the association between investment decision by amount invested, by duration of keeping invested funds and by duration of keeping invested funds in unit trust industry and Psychographic characteristics, Knowledge, Attitude and Satisfaction of Unit Trust investors towards Unit Trust industry. Multicollinarity was identified during the analysis. Therefore Ordinal Logistic Regression models with and without interactions were tested. It was concluded that "psychographic characteristics of unit investors" will decide the direction of Unit Trust industry in Sri Lanka.

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