INVESTOR'S INTENTION TO INVEST IN THE STOCK MARKET AMIDST THE ECONOMIC CRISIS IN SRI LANKA: USING AN EXTENDED THEORY OF PLANNED BEHAVIOR

L.W.Y.P. Lokuge[1,*] and J.S. Kumari[2]

[1,2]*Department of Accountancy and Finance, Faculty of Management Studies, Rajarata University of Sri Lanka, Mihintale, Sri Lanka.*

[*]Corresponding author (email: yasaripabasara997@gmail.com)

INTRODUCTION

Investors' intention to invest in stocks was becoming increasingly imperative risk and uncertainty in every investment. Risk is a factor that shapes people's decisions, such as when making an investment choice. This study examined investors' intention to invest in Sri Lanka's stock market during the economic crisis, focusing on attitude, subjective norms, investment knowledge, emotional stability, risk avoidance, and uncertainty avoidance.

The Theory of Planned Behavior (TPB) used as theoretical framework to predict investors' intention to invest in the stock market. There are limited studies regarding investors' choice to invest in the stock market concept in the Sri Lankan context. The existing theory of TPB supported the relationship between investors' intentions to invest in the stock market.

Several studies have shown investment intention in the Sri Lankan context. One study was conducted to predict investors' investment intention in the stock market during the COVID-19 crisis and its selected period during the COVID-19 crisis (Kumari et al., 2022). A few studies applied the TPB to predict an individual's intention to invest in the stock market. These existing studies provided a basis for the applicability of TPB in investment intention. The TPB was widely used in studies related to human behavior but limited studies related to finance (investment behavior). Using the Theory of Planned Behavior extension, this study provided the theoretical framework to predict investors' intention to invest in the stock market. The existing theory of planned behavior was not focused yet on the economic crisis.

Thus, the study aimed to examine individual investor behavior toward investing in the stock market using this extended version of the TPB amidst the economic crisis in Sri Lanka. Therefore, this research was being done to fill an empirical and available theoretical gap by using the economic crisis to fill the application gap. This study could be used by financial professionals, regulators, and both existing and potential investors to make investment decisions due to the economic crisis in Sri Lanka.

METHODOLOGY

This study used a quantitative approach to examine individual investor behavior towards investing in the stock market, which could be better predicted using this extended version of the TPB amidst the economic crisis. For the data collection, a structured self-administered survey questionnaire from existing and potential individual investors. PLS-SEM was used to test the relationship between variables

The population of this study consists of both existing and potential investors in CSE, and the sample size of this study was 155 respondents. The sample was selected using the convenience sampling method to ensure the representativeness of the population in terms of gender, age, monthly income, educational level, and investment sector.

Research Hypotheses

H₁: A positive significant relationship exists between investor attitude towards investing in the stock market and investment intention.

H₂: A significant relationship exists between subjective norms towards investing in the stock market and investment intention.

H₃: A positive significant relationship exists between investment knowledge towards investing in the stock market and investment intention.

H₄: A significant relationship exists between emotional stability towards investing in the stock market and investment intention.

H₅: There is a significant relationship between risk avoidance towards investing in the stock market and investment intention.

H₆: There is a significant relationship between uncertainty avoidance towards investing in the stock market and investment intention.

RESULTS AND DISCUSSION

Reliability was measured to construct that they were related to each other. Table 1 indicates the existence of internal consistency, as all composite reliability values exceed 0.70. All construct reliability coefficients were well above the 0.70 minimum level suggested by Hair et al. (2019).

Table 1

Diagnostics for the confirmatory factor analysis

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	The average variance extracted (AVE)
ATT	0.839	0.894	0.901	0.753
EST	0.752	0.839	0.856	0.667
IIN	0.785	0.778	0.877	0.707
IKN	0.835	0.923	0.899	0.752
RAV	0.901	0.930	0.927	0.718
SN	0.908	0.915	0.936	0.784
UAV	0.960	0.961	0.974	0.926

The discriminant validity was evaluated using the Fornel and Larcker criterion, which compares the square root of individual AVEs diagonally with each construct's respective row and column values. This measurement model, as presented in Table 2, satisfies the discriminant validity of the constructs.

Table 2
Discriminant validity

	ATT	EST	IIN	IKN	RAV	SN	UAV
ATT	0.868						
EST	0.801	0.816					
IIN	0.593	0.642	0.841				
IKN	0.755	0.851	0.64	0.867			
RAV	0.705	0.702	0.592	0.689	0.847		
SN	0.718	0.760	0.784	0.753	0.75	0.886	
UAV	0.384	0.323	0.637	0.423	0.25	0.214	0.962

Table 3 shows the findings disclosed that attitude ($t=5.966$ and $p<0.01$), subjective norms ($t=16.901$ and $p<0.01$), investment knowledge ($t=6.993$ and $p<0.01$), emotional stability ($t=8.186$ and $p<0.01$), risk avoidance ($t=10.801$ and $p<0.01$), uncertainty avoidance ($t= 10.101$ and $p<0.01$) significantly influenced the intention to invest in the stock market.

Table 3
Hypothesized paths in the structural model

Hypothesized paths	Path coefficients	t values	P-values
H1: IIN -> ATT	0.593	5.966	0.000**
H2: IIN -> SN	0.784	16.901	0.000**
H3: IIN -> IKN	0.640	6.993	0.000**
H4: IIN -> EST	0.642	8.186	0.000**
H5: IIN -> RAV	0.592	10.801	0.000**
H6: IIN -> UAV	0.637	10.101	0.000**

Notes. ATT (Attitude), EST (Emotional Stability), INN (Investment Intention), IKN (Investment Knowledge), RAV (Risk Avoidance), SN (Subjective Norms), UAV (Uncertainty Avoidance)

As expected, all the hypothesized direct effects on investment intention were significant. Accordingly, *H1, H2, H3, H4, H5, H6* are supported.

The research found that subjective norms significantly influenced investment intentions in the stock market during the economic crisis in Sri Lanka. Risk avoidance and uncertainty avoidance were found to be highly significant factors influencing investment intentions, as investment intention is the reason behind the investor’s investment decision.

CONCLUSION AND IMPLICATIONS

This study contributed to the existing behavioral finance. A few studies applied the TPB to predict an individual’s intention to invest in the stock market. These current studies provided a basis for the applicability of TPB in investment intention. This study gave the theoretical framework to predict investors’ intention to invest in the stock market by using the extension of the TPB. The existing TPB was not focused yet on the economic crisis.

The research examines investment intention using emotional stability, risk avoidance, and uncertainty avoidance, focusing on the TPB. The proposed expanded theory of planned behavior has added significant knowledge to the financial professionals, regulators, and both existing and potential investors to make investment decisions due to the economic crisis in Sri Lanka and provided a more comprehensive range of understanding to the current and potential investors regarding the relationship between investment intention.

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Keywords: Economic crisis, intention, risk avoidance, theory of planned behavior, uncertainty avoidance.

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