

**THE IMPACT OF BEHAVIORAL BIASES ON INVESTMENT DECISION-
MAKING WITH MODERATING ROLE OF FINANCIAL LITERACY OF LOCAL
INDIVIDUAL INVESTORS AT THE COLOMBO STOCK EXCHANGE: WITH
SPECIAL REFERENCE TO NORTH CENTRAL PROVINCE**

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ABSTRACT

Judicious investment decision-making is essential for a company to perform well. Stock market performance mainly depends on investors' activities and the decisions they make. When making investment decisions, investors often focus on their emotions, thoughts, perceptions, and psychological biases, which can affect their rationality. This means that investors become biased because their investment decision-making is affected by behavioral bias. Many individuals in Sri Lanka lack the financial knowledge and technical skills required to invest in stocks, which can lead intermediaries to manipulate their investors. Therefore, this study aims to investigate "The Impact of Behavioral Biases on Investment Decision-Making in the Stock Market and the Moderating Role of Financial Literacy of Local Individual Investors at the Colombo Stock Exchange with Special Reference to North Central Province. This study uses a quantitative research approach to gather primary data from a sample of 162 individual investors in North Central Province using a structured online questionnaire. The collected data were analyzed using SPSS statistical software. Data were analyzed using descriptive statistics, correlation, and regression analyses. Correlation analysis revealed a statistically significant positive association between behavioral bias and investment decision-making. Multiple regression analysis shows a significant and positive impact of behavioral bias on investment decision making, and financial literacy moderates the relationship between behavioral biases and investment decision making in the stock market. The findings of this study offer valuable insights for investors to foster more informed decision-making.

Keywords: Behavioral biases, financial literacy, investment decisions