

**INVESTIGATING THE IMPACT OF RISK TOLERANCE ON THE
RELATIONSHIP BETWEEN DEMOGRAPHIC FACTORS AND INVESTMENT
DECISIONS OF INDIVIDUALS IN THE COLOMBO DISTRICT**

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ABSTRACT

This study explores how demographic factors and risk tolerance collectively influence investment decisions among individuals in the Colombo District, Sri Lanka. Investment behavior is fundamental to personal financial growth, making it essential to understand what drives individuals' choices. This study addresses knowledge gaps regarding the impact of demographic variables, such as age, gender, income, and education, on risk tolerance and investment decisions. A quantitative approach was employed, utilizing descriptive statistics, correlation analysis, and regression modelling to evaluate the data gathered from Colombo District residents. The results revealed that age and income significantly affected risk tolerance, with younger and higher-income individuals demonstrating a more robust risk appetite. This heightened risk tolerance subsequently influences investment decisions, suggesting that such individuals are more inclined to pursue higher-risk investments. However, the findings also indicate variability in how demographic factors impact investment choices, highlighting the need for customized financial advisory services that consider demographic characteristics and individual risk tolerance. This study's insights have practical implications for financial planners, supporting the development of personalized investment strategies that align with client demographics and risk profiles. Despite the study's contributions, it acknowledges certain limitations, including a focus on one geographic area, which may limit the generalizability of the findings. Additionally, self-reported data may introduce response biases as individuals overstate or understate their risk tolerance and investment behaviors. Future research should expand beyond Colombo District and explore additional demographic and behavioral variables to enhance the understanding of investment decision-making factors.

Keywords: Demographic factors, investment decisions, risk tolerance