Factors Affecting the Behavior of Investors: Empirical Study Based on Colombo Stock Exchange

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The primary motivation of this research is to examine the investment selection factors which the investors expected to consider as important in an investment decisions and to rank the factors accordingly based on Colombo Stock Exchange (CSE), and to find out whether the investors consider the same pattern of investment selection factors in making the real investment decision. Data for the study were collected from 50 individual retail investors in the Gampaha district through a questionnaire by using convenience sampling. To analyze the data the researchers have used frequency table and descriptive analysis technique. It was found that, investment selection factors that investors expect to consider, the most important in making an investment decision are; past performance of the stock, Stock brokers’ advice, Company reputation, Company earnings and for quick selling purposes. Further, in making the real investment decision, the highest frequency of the investment selection factors considered are; past performance of the stock, Stock brokers’ advice, advice from others, for quick selling purposes and to get benefits. Sri Lankan investors seem to be under confident, uncertain and are very sensitive to others’ reactions and opinions. The most common determinants that have a significant impact on the investors’ behavior are past performance of the stock, Stock brokers’ advice, advice from others and for quick selling purposes.

\textbf{Keywords:} Individual Investors, Behavioral Finance, Colombo Stock Exchange (CSE), Investment Selection Factors, Investment Decision

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