

The Impact of Demographic Factors on Investment Decisions: A Comparative Analysis of Private and Public Sector Employees in Western Province, Sri Lanka

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Abstract

Introduction: Investment decision making is a critical step in the investment process. Investors must decide where they will invest their money, their investment objective, the maximum amount of risk they are willing to bear, and the frequency with which they will invest. However, fundamental factors, as well as demographic and psychological factors of investors, may influence investment decisions. This study aims to examine the impact of the demographic factors and investment decision making of both private and public sector employees separately.

Methodology: This study uses deductive approach and quantitative methods to analyze the data. The population for the study is the selected state sector employees and private sector employees in Western province, Sri Lanka and data for the study were collected from 385 respondents. The convenience sampling, subsequent random and proportional sampling techniques were used. The demographic variables such as gender, age, marital status, educational level, income and investment preference were used to examine the impact on the investment decisions. The questionnaires serve as the primary data collection method, pre-tested for reliability and validity.

Findings: In analyzing the impact of demographic factors on investment preferences, objectives, risk tolerance, and frequency, distinct patterns emerged for private and public sector employees in Sri Lanka. While both sectors showed correlations with age, marital status, monthly income, and education, the private sector uniquely emphasized the role of gender in investment decisions. Additionally, disparities in investment objectives, risk tolerance, and frequency were evident, emphasizing the need for sector-specific financial planning strategies to cater to the diverse profiles and preferences of employees in each sector.

Conclusion: In conclusion, this research underscores the nuanced connection between demographic factors and financial choices in both private and public sectors. It emphasizes the need for customized financial strategies tailored to the unique needs of each workforce. The provided recommendations offer practical insights for financial institutions seeking to enhance their services, fostering stronger client relationships by acknowledging and responding to diverse demographic-influences.

Keywords: Demographic Factors, Investment Preference, Investment Objective, Risk Tolerance, Investment Frequency