

Factors Influencing Individual Investment Decisions in Stock Market: Evidence from Colombo Stock Exchange

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Abstract

The theory of behavioral finance assumes that the characteristics of individuals in stock markets and the information structure can systematically impact their investment decisions in the stock market. This study henceforth aims at assessing the factors that influence the individual investment decisions of the investors in the Colombo Stock Exchange. The study further incorporated the concept of behavioral finance and individual investment decision by considering 215 investors from a sample gathered from retail investors in the Colombo Stock Exchange, where the responses are solicited using a questionnaire consisting of 20 questions that were to be answered in a five-point Likert scale. The finding of the study established a significant positive impact of the Covid 19 epidemic situation, political stability, and social media information on individual investment decisions. Rational factors such as share price and company dividend policy may not significantly influence individual investor stock selection. At the same time, the study found that factors such as accounting information and macro-economic factors can significantly influence individual investor investment decisions. Further, it revealed that the family, stockbrokers' firms, and peers significantly impact individual investment decisions. However, investor behavior on risk does not have a significant impact on individual investment decisions.

Key words: *Behavior Finance, Individual Investment Decisions, Colombo Stock Exchange, and Investor Behavior*