

## THE IMPACT OF HERDING BEHAVIOR AND OVERCONFIDENCE BIAS ON INVESTMENT DECISIONS OF GEN Z INVESTORS IN SRI LANKA: THE MEDIATING ROLE OF RISK PERCEPTION

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### Abstract

In the current era of financial democratisation, Generation Z (Gen Z) investors in Sri Lanka are increasingly participating in the stock market, driven by digital platforms and social media influence. However, this participation often occurs amid cognitive biases such as herding behaviour and overconfidence, which can distort rational investment decision-making. This research aims to investigate the influence of herding behaviour and overconfidence bias on the investment decisions of Gen Z investors in Sri Lanka, with a specific focus on the mediating role of risk perception. The study employs a quantitative research approach and collects primary data through a structured online questionnaire using a seven-point Likert scale. The survey was conducted among a sample of 150 Gen Z investors representing diverse investment backgrounds. Statistical analyses, including correlation, regression, and structural equation modelling (SEM), were conducted using SPSS and SMART PLS to examine the relationships between variables. The results reveal that both herding behaviour and overconfidence bias significantly impact investment decisions, and risk perception plays a mediating role in these relationships. Findings from the study provide valuable insights into behavioural finance, particularly the cognitive patterns of young investors in emerging markets like Sri Lanka. The implications of this research extend to financial educators, policymakers, and institutions seeking to develop targeted interventions that promote informed investment practices among Gen Z. By enhancing awareness of psychological biases and risk perception, the study contributes to fostering more responsible and strategic financial behaviour among young investors in the country.

**Keywords:** Behavioural finance, herding bias, investment decision, overconfidence bias, risk perception

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DOI:

## **Introduction**

The dynamics of investment decision-making have increasingly attracted scholarly attention, particularly within the field of behavioural finance, which challenges the traditional notion of purely rational investors. In the Sri Lankan context, the rapid expansion of digital investment platforms and the growing accessibility of financial markets have encouraged a new generation of participants, Generation Z (Gen Z), to engage actively in equity trading. According to the Securities and Exchange Commission of Sri Lanka (2024), there has been a notable rise in young retail investors. For example, in 2020, 47% of new brokerage accounts were held by those aged 18-30, driven by mobile trading applications, social media influence, and the pursuit of financial independence.

While this trend represents a positive shift towards greater financial market participation, it also raises important concerns regarding the behavioural tendencies influencing Gen Z investors. In particular, cognitive biases such as herding behaviour, the tendency to follow the actions of others, and overconfident bias an inflated belief in one's knowledge and abilities, are increasingly evident in trading activities. These biases can undermine rational investment processes, leading to suboptimal decisions and, at times, significant financial losses.

A key factor in understanding these biases lies in risk perception, which shapes how investors evaluate opportunities and threats. Risk perception not only determines whether an investment is deemed acceptable but also mediates the effects of psychological biases on decision-making. Empirical studies have confirmed this mediating role in various market contexts. For instance, Ahmed et al. (2022) and Almansour et al. (2023) found that risk perception significantly mediates the relationship between behavioural biases such as herding and overconfidence, and investment decisions in emerging economies, indicating that investors' subjective evaluation of risk channels the impact of cognitive biases on their final choices. Similarly, Kaban and Linata (2024) demonstrated in an Indonesian Gen Z sample that risk perception acts as a psychological mechanism through which herding and overconfidence influence investment intentions. These findings suggest that investors who perceive lower levels of risk are more likely to follow crowd behaviour or act with overconfidence, leading to riskier investment outcomes.

The present study focuses specifically on herding and overconfidence biases among the twenty commonly identified behavioural biases because these two are most prevalent and empirically validated in prior literature as dominant factors shaping retail investors' decisions (Barber & Odean, 2001; Madaan & Singh, 2019; Wibowo et al., 2023). Moreover, these biases are particularly relevant to Generation Z investors, who are heavily influenced by social media trends (amplifying herding) and digital financial content (reinforcing overconfidence). Given their strong theoretical foundation, empirical significance, and contextual relevance to the Sri Lankan Gen Z investment environment, herding and overconfidence were selected as focal constructs, with risk perception serving as the mediating psychological bridge that links these biases to investment behaviour.

This study addresses this gap by examining the interplay between herding behaviour, overconfidence bias, and investment decision-making, with a specific focus on the mediating role of risk perception. Using data collected from 150 Gen Z investors in Sri Lanka, analysed through Partial Least Squares Structural Equation Modelling (PLS-SEM), this research contributes empirical insights into the cognitive patterns of young investors in an emerging market. By understanding these impacts, the findings aim to inform financial educators, policymakers, and market participants in developing targeted strategies that promote informed, rational, and sustainable investment practices among Sri Lanka's future investor base.

## **Literature Review**

Investment decision-making is a multifaceted process in which individuals determine where, when, and how much to invest to achieve favourable returns. This process requires evaluating different investment avenues, considering factors such as expected returns, risk levels, and market conditions. While traditional finance theories assume that individuals act rationally to maximise wealth, real-world decision-making often deviates from this assumption due to behavioural influences and subjective perceptions of risk. In the context of Generation Z (Gen Z) investors, who are heavily influenced by digital platforms, peer networks, and online trends, such deviations are increasingly pronounced.

Herding behaviour and overconfidence bias are two of the most prominent behavioural tendencies observed in this demographic. Herding refers to imitating the investment actions of others rather than conducting independent analysis, which can lead to market inefficiencies and volatility. Overconfidence bias, meanwhile, occurs when investors overestimate their knowledge, predictive ability, or control over market outcomes, potentially resulting in excessive risk-taking and poor diversification. Both biases can be shaped or moderated by an investor's risk perception, the subjective assessment of uncertainty and potential loss in a given investment decision.

Overconfidence bias, on the other hand, occurs when investors overestimate their own knowledge, predictive ability, or control over market outcomes (Barber & Odean, 2001). Overconfident investors tend to trade more frequently, underestimate risks, and hold under-diversified portfolios (Glaser & Weber, 2007). This bias can be reinforced by short-term successes, selective recall of profitable trades, and exposure to online investment content that encourages aggressive trading. For Gen Z investors, who often rely on social media, influencer opinions, and readily available but unverified online resources, overconfidence may be amplified despite limited market experience.

Risk perception is the subjective evaluation of the potential for loss in an investment decision (Slovic, 1987; Weber & Milliman, 1997). It is shaped by an individual's experiences, knowledge, emotions, and the prevailing market environment. Risk perception serves as a critical psychological filter in decision-making, influencing how investors interpret information and assess opportunities. Importantly, it can mediate the impact of behavioural biases: herding may lower perceived risk due to a "safety in numbers" effect, while overconfidence may result in underestimating risk altogether. Conversely, heightened risk perception may prompt more cautious behaviour, mitigating the effects of these biases. This mediating role has been empirically supported in other emerging markets (Hossain & Siddiqua, 2022; Kaban & Linata, 2024) but remains underexplored among Gen Z investors in Sri Lanka.

Empirical studies in behavioural finance consistently highlight the influence of herding behaviour and bias overconfidence on investor decision-making. Herding behaviour has been observed in both developed and emerging markets, often leading to market anomalies such as price bubbles and excessive volatility. Bikhchandani and Sharma (2001) and Chang et al. (2000) demonstrated that herding is more prevalent in environments with high information asymmetry, where investors rely on others' actions as a substitute for independent analysis. In the context of emerging markets, Waweru et al. (2008) found that herding tendencies are particularly strong among retail investors with limited access to credible market data.

Overconfidence bias has also been widely documented. Barber and Odean (2001) showed that overconfident investors trade more frequently and achieve lower net returns due to transaction costs and suboptimal timing. Glaser and Weber (2007) further established that overconfidence is linked to risk underestimation and poor diversification. Empirical evidence from Almansour et al. (2023) and Wibowo et al. (2023) suggests that this bias is especially prevalent among younger investors, who may conflate digital literacy with investment expertise, leading to aggressive trading behaviour.

Risk perception plays a critical role in shaping the magnitude and direction of these biases' effects on investment decisions. Slovic (1987) emphasised that risk is not perceived uniformly, but rather interpreted through individual experiences, knowledge, and emotions. Weber and Milliman (1997) found that low perceived risk encourages riskier investment choices, while heightened perceived risk can moderate the influence of biases. More recently, Hossain and Siddiqua (2022) confirmed that risk perception mediates the relationship between behavioural biases and investment intentions in the context of emerging economies.

Studies in Indonesia (Kaban & Linata, 2024) found that risk perception significantly mediated the effects of herding and overconfidence on investment decisions, suggesting that awareness and interpretation of risk can either amplify or suppress bias-driven behaviours. However, such empirical investigations remain limited in Sri Lanka, especially among Generation Z investors participating in the Colombo Stock Exchange. Given this demographic's increasing reliance on digital platforms and susceptibility to online sentiment, understanding these relationships in the Sri Lankan context can provide valuable insights for both academic research and practical interventions.

## **Methodology**

The population of this study consists of Generation Z (Gen Z) equity investors who have invested in the Colombo Stock Exchange (CSE). Gen Z is defined in this research as individuals born between 1997 and 2012, representing a demographic that is both digitally proficient and increasingly active in capital markets. Gen Z comprises approximately 25% of Sri Lanka's ~23.2 million total population, i.e., ~5.8 million people. Among local individual investors holding CDS accounts ( $\approx 661,948$ ), it is estimated that ~165,500 are Gen Z investors.

Since there is no official record detailing the total number of Gen Z investors in Sri Lanka, the study employed a non-probability convenience sampling method. This approach allowed for the inclusion of respondents who met the criteria of being part of Gen Z and having prior investment experience in the CSE, while also being accessible through online channels. Convenience sampling is widely used in behavioural finance studies where the precise population size is unknown, and respondents are dispersed across various locations (Liaqat et al., 2020; Mehtab, 2019). A total of 150 responses were collected through a self-administered online questionnaire distributed via

social media platforms, online investment forums, and university investor networks. The questionnaire included screening questions to ensure that participants met the study’s demographic and experience criteria.

## Results and Analysis

### Reliability of measurement instrument

Cronbach's alpha is the most widely used measure for assessing an instrument's internal consistency. Therefore, both Composite Reliability (CR) and Cronbach's alpha were employed to evaluate the model's reliability, with acceptable values exceeding 0.7. The values for Cronbach’s alpha and CR, as calculated by the PLS-SEM algorithms, are presented in Table 1.

**Table 1**  
*Assessment of reliability*

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Herding Behaviour (HB)	0.871	0.874	0.903
Investment Decision (ID)	0.913	0.920	0.936
Overconfidence Bias (OB)	0.891	0.906	0.920
Risk Perception (RP)	0.828	0.845	0.890

(Source: Authors Compilation)

According to Table 4.2, all Cronbach’s Alpha values and composite reliability values are above 0.70, confirming the reliability of the variables.

### Convergent validity

The AVE value of 0.609 indicates that approximately 60.9% of the variance in the observed indicators related to Herding Behaviour is explained by the underlying latent variable of Herding Behaviour. This suggests that the indicators collectively provide a strong representation of the concept of Herding Behaviour, capturing a substantial portion of its variability. The AVE value of 0.744 indicates that around 74.4% of the variance in the observed indicators related to Investment Decision is explained by the underlying latent variable of Investment Decision. This demonstrates that the indicators capture a significant amount of variability in Investment Decision, making them a robust representation of this construct. The AVE value of 0.697 suggests that about 69.7% of the variance in the observed indicators related to Overconfidence Bias is explained by the underlying latent variable of Overconfidence Bias. This indicates that the indicators provide a strong representation of Overconfidence Bias, capturing a considerable portion of its variability. The AVE value of 0.673 indicates that approximately 67.3% of the variance in the observed indicators related to Risk Perception is explained by the underlying latent variable of Risk Perception. This suggests that the indicators capture a substantial portion of the variability in Risk Perception, making them a reliable representation of this construct.

**Table 2**  
*Assessment of convergent validity*

Construct	Average Variance Extracted (AVE)
Herding Behaviour (HB)	0.609
Investment Decision (ID)	0.744
Overconfidence Bias (OB)	0.697
Risk Perception (RP)	0.673

(Source: Authors Compilation)

### Discriminant validity

Discriminant validity assesses the extent to which a construct is truly distinct from other constructs by examining whether it shares more variance with its own indicators than with other constructs (Hair et al., 2017). This ensures that each construct captures unique phenomena relevant to the research model.

**Table 3**  
Assessment of discriminant validity

Construct	HB	ID	OB	RP
Herding Behaviour (HB)	0.882			
Investment Decision (ID)	0.730	0.778		
Overconfidence Bias (OB)	0.882	0.778	0.871	
Risk Perception (RP)	0.830	1.00	0.871	1.00

(Source: Authors Compilation)

In this study, discriminant validity was evaluated using the Fornell-Larcker criterion, which requires that the square root of the Average Variance Extracted (AVE) for each construct should be greater than its correlations with other constructs (Fornell & Larcker, 1981).

Table 4.4 presents the correlations among constructs, with the diagonal values representing the square root of the AVE for each construct. As shown, the diagonal values for Herding Behaviour (HB), Investment Decision (ID), Overconfidence Bias (OB), and Risk Perception (RP) are 0.882, 0.778, 0.871, and 1.00, respectively. These values are higher than the corresponding off-diagonal correlations, confirming adequate discriminant validity.

Therefore, the constructs in this study are empirically distinct, supporting the validity of the measurement model.

### Descriptive statistics of variables

Descriptive statistics provide an overview of the central tendency and variability of the key constructs in this study, offering insights into the distribution and dispersion of the data before advanced analysis.

**Table 4**  
Assessment of discriminant validity

Variable	Sample items	Mean (M)	Std. Deviation (STDEV)
Herding Behaviour (HB)	150	0.008	0.046
Investment Decision (ID)	150	0.362	0.091
Overconfidence Bias (OB)	150	0.135	0.048
Risk Perception (RP)	150	0.471	0.080
Overall	150	0.772	0.043

(Source: Authors Compilation)

Table 4.5 presents the sample size, mean, and standard deviation for each variable. The sample size for all variables is consistent at 150 observations. Herding Behaviour (HB) has a mean value close to zero ( $M = 0.008$ ) with a low standard deviation ( $STDEV = 0.046$ ), indicating minimal variation around the mean. Investment Decision (ID) shows a moderate mean of 0.362 and a standard deviation of 0.091, reflecting moderate variability among respondents. Overconfidence Bias (OB) has a mean of 0.135 and a standard deviation of 0.048, suggesting relatively low dispersion. Risk Perception (RP) exhibits a higher mean value of 0.471 with a standard deviation of 0.080, indicating a moderate level of variability. The overall mean across variables is 0.772 with a standard deviation of 0.043.

These descriptive statistics indicate that the data exhibit sufficient variation to support meaningful analysis and modelling using SmartPLS.

### Multicollinearity

According to Table 5 above, the Tolerance values range from 0.323 to 0.402, and the Variance Inflation Factor (VIF) values range from 2.485 to 3.095. Tolerance values below 0.1 are typically considered indicative of serious multicollinearity issues; here, the values are well above 0.1, suggesting moderate but not severe multicollinearity. VIF values between 1 and 5 are generally acceptable, indicating a moderate level of correlation among the independent variables but not high enough to cause major issues with the regression model. In this case, the highest VIF is 3.095 (for Overconfidence Bias > Investment Decision), which is still within acceptable limits. Therefore, these results suggest that while there is some correlation between the predictors, multicollinearity is not severe enough to distort the results. The individual contributions of each variable in explaining investment decision-making and risk perception remain relatively distinct and interpretable.

**Table 5**  
Multicollinearity analysis

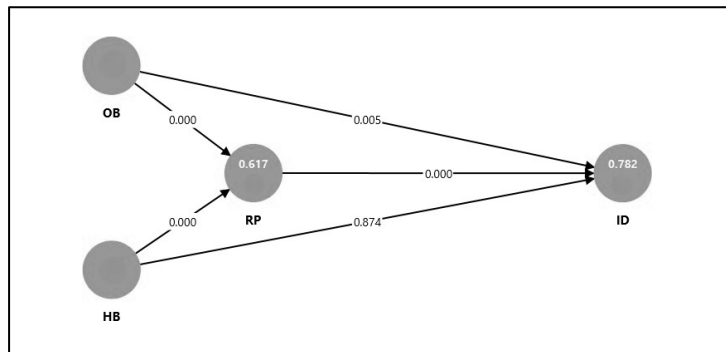
Variables	Tolerance	VIF
Herding Behaviour > Investment Decision	0.358	2.795
Herding Behaviour > Risk Perception	0.402	2.485
Overconfidence Bias > Investment Decision	0.323	3.095
Overconfidence Bias > Risk Perception	0.402	2.485
Risk Perception > Investment Decision	0.386	2.592

(Source: Authors Compilation)

**Coefficient of determination (R<sup>2</sup>)**

After including Risk Perception as a mediating variable, the R<sup>2</sup> value for Investment Decision increased to 0.782, which reflects a substantial level of explanatory power, demonstrating that risk perception significantly strengthens the model's predictive ability. Furthermore, the R<sup>2</sup> value for Risk Perception was recorded as 0.617, indicating a moderate to substantial level of variance explained by herding behaviour and overconfidence bias. These results confirm the mediating role of risk perception in enhancing the explanatory strength of the model.

**Figure 1**  
Coefficient of determination (R<sup>2</sup>) with mediation variable



(Source: Authors Compilation)

**Hypotheses testing**

Hypotheses were tested using the bootstrapping method with 5,000 subsamples in SmartPLS 4.1.2. This process assessed the significance of the path relationships among the constructs: Herding Behaviour (HB), Overconfidence Bias (OB), Risk Perception (RP), and Investment Decision (ID). The results are summarised in Table 6.

**Table 5**  
Multicollinearity analysis

Hypothesis	Path	Sample Mean (M)	Standard Deviation (STDEV)	Path Coefficient (β)	P Value
H <sub>1</sub>	HB → ID	0.008	0.046	0.007	0.874
H <sub>2</sub>	HB → RP	0.362	0.091	0.359	0.000
H <sub>3</sub>	OB → ID	0.135	0.048	0.136	0.005
H <sub>4</sub>	OB → RP	0.471	0.080	0.474	0.000
H <sub>5</sub>	RP → ID	0.772	0.043	0.772	0.000

(Source: Authors Compilation)

In the current study, Herding Behaviour → Investment Decision (β = 0.007) falls within the insignificant range, indicating that herding behaviour does not directly influence investment decision-making among Gen Z investors. Overconfidence Bias → Investment Decision (β = 0.136) exceeds the 0.1 threshold, supporting the hypothesis that overconfidence bias has a positive and significant impact on investment decisions. Herding Behaviour → Risk Perception (β = 0.359) and Overconfidence Bias → Risk Perception (β = 0.474) both show strong, positive coefficients, confirming their significant influence on shaping investors' risk perceptions. Risk Perception → Investment Decision (β = 0.772) records the highest coefficient in the model, indicating that risk perception is a critical determinant of investment decision-making among Generation Z investors in Sri Lanka.

*H1: Investment decision is impacted by the herding bias of Sri Lanka's Gen Z investors*

The path coefficient of herding bias and investment decision was  $\beta = 0.007$ , indicating a very weak and statistically insignificant relationship between the two variables. According to the analysis findings, the p-value was 0.874, which is higher than the acceptable level of 0.05 ( $p > 0.05$ ). Therefore, hypothesis H1, which states that herding bias impacts the investment decisions of Gen Z investors in Sri Lanka, is not accepted.

*H2: Investment decision is impacted by the overconfidence bias of Sri Lanka's Gen Z investors*

The path coefficient of overconfidence bias and investment decision was  $\beta = 0.136$ , indicating a moderate positive relationship between the two variables. According to the analysis findings, the p-value was 0.005, which is less than the acceptable level of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H2, which states that overconfidence bias impacts the investment decisions of Gen Z investors in Sri Lanka, is accepted.

*H3: Investment decision is impacted by the risk perception of Sri Lanka's Gen Z investors*

The path coefficient of risk perception and investment decision was  $\beta = 0.772$ , indicating a strong positive relationship between the two variables. According to the analysis findings, the p-value was 0.000, which is significantly lower than the threshold of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H3, which states that risk perception impacts the investment decisions of Gen Z investors, is accepted.

*H4: Risk perception is impacted by the herding bias of Sri Lanka's Gen Z investors*

The path coefficient of herding bias and risk perception was  $\beta = 0.359$ , indicating a strong positive relationship between the two variables. According to the analysis findings, the p-value was 0.000, which is less than the acceptable level of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H4, which states that herding bias impacts the risk perception of Gen Z investors, is accepted.

*H5: Investment decision is impacted by the herding bias mediated by risk perception*

The path coefficient of the indirect effect of risk perception between herding bias and the investment decision of Sri Lanka's Gen Z investors was  $\beta = 0.277$ . This indicates a statistically significant positive indirect relationship. According to the analysis findings, the p-value was 0.000, which is less than the acceptable level of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H5, which states that risk perception mediates the relationship between herding bias and investment decision, is accepted.

The VAF (Variance Accounted For) was 97.5%, confirming that the nature of the mediation is full mediation, as the direct effect ( $\beta = 0.007$ ) was insignificant while the indirect effect was significant. This indicates that risk perception fully transmits the effect of herding bias on investment decision-making.

**Table 6**  
*Hypotheses testing-mediation effect I*

Mediation Effects – Hypothesis Six	Direct Effect (DE) – Path Coefficient	Indirect Effect (IE) – Path Coefficient	Total Effect (TE) – Path Coefficient	VAF = (IE/TE)	P-Value	Nature of Mediation
Herding Bias → Risk Perception → Investment Decision	0.007	0.277	0.284	97.50%	0	Full mediation

(Source: Authors Compilation)

*H6: Risk perception is impacted by the overconfidence bias of Sri Lanka's Gen Z investors*

The path coefficient of overconfidence bias and risk perception was  $\beta = 0.474$ , which indicated a strong positive relationship between the two variables. According to the analysis findings, the p-value was 0.000, less than the acceptable level of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H6, which states that overconfidence bias impacts the risk perception of Gen Z investors, is accepted.

*H7: Investment decision is impacted by the overconfidence bias mediated by risk perception*

The path coefficient of the indirect effect of risk perception between overconfidence bias and investment decision was  $\beta = 0.366$ . According to the analysis findings, the p-value was 0.000, which is less than the acceptable level of 0.05 ( $p < 0.05$ ). Therefore, hypothesis H7, which states that risk perception mediates the relationship between overconfidence bias and investment decision of Sri Lanka's Gen Z investors, is accepted.

The VAF ratio was 72.9%, which falls between the range of 20% and 80%, indicating a partial mediation effect (Sarstedt et al., 2017). This means that risk perception partially explains the relationship between overconfidence bias and investment decision-making.

**Table 7**  
*Hypotheses Testing-Mediation Effect I*

Mediation Effects – Hypothesis Seven	Direct Effect (DE) – Path Coefficient	Indirect Effect (IE) – Path Coefficient	Total Effect (TE) – Path Coefficient	VAF = (IE/TE)	P-Value	Nature of Mediation
Overconfidence Bias → Risk Perception → Investment Decision	0.136	0.366	0.502	72.90%	0	Partial mediation

(Source: Authors Compilation)

## Conclusion

This study has explored a crucial dimension of investment behaviour by investigating how behavioural biases, specifically herding bias and overconfidence bias, along with risk perception, influence investment decisions among Generation Z investors in Sri Lanka. By focusing on the mediating role of risk perception, the research addresses an important gap in the behavioural finance literature in the Sri Lankan context. Using Structural Equation Modelling (SEM) via SmartPLS, the study systematically assessed the measurement and structural models to test the proposed hypotheses. The analysis was conducted on a sample of 150 Gen Z investors actively participating in the Colombo Stock Exchange, ensuring data quality by addressing missing values, outliers, and testing for validity and reliability. The findings highlight several key insights: behavioural biases notably affect investment decisions, but their influence is significantly mediated by risk perception. Herding bias does not directly affect investment decision-making but has a full indirect effect through risk perception, whereas overconfidence bias impacts investment decisions both directly and indirectly via risk perception. This mediation underscores the importance of investors’ subjective assessment of risk as the psychological mechanism linking biases to investment behaviour. This research contributes to understanding the complexity of investment decision-making among young, emerging market investors who are increasingly influential in the Sri Lankan stock market. The demonstrated role of risk perception as a mediator enriches the theoretical framework and provides a nuanced perspective on how behavioural biases translate into actual investment choices. The application of SEM lends robustness to the study, underpinning its conclusions with rigorous statistical validation. These insights offer valuable implications for investors, financial advisors, and policymakers. Investors can benefit from greater awareness of their psychological tendencies and subjective risk assessments, leading to more informed and rational decision-making. Financial advisors may incorporate behavioural and risk perception insights into their client counselling strategies, enhancing investment outcomes. Regulators can also leverage these findings to formulate educational policies and investor protection measures that address behavioural pitfalls. Looking forward, this research encourages further examination of other psychological and contextual factors affecting investment behaviour across different demographic groups and market settings in Sri Lanka. Expanding the scope of behavioural influences and exploring longitudinal impacts could deepen the understanding of investor psychology in emerging markets. Overall, this study makes a meaningful contribution by confirming that behavioural biases and risk perception critically shape the investment decisions of Sri Lankan Gen Z investors, emphasising risk perception’s pivotal mediating role. It thereby adds valuable knowledge to the evolving discourse on behavioural finance and supports more informed engagement in the Colombo Stock Exchange.

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