06 JUL 2017

# THE INFLUENCE OF BEHAVIORAL FINANCING FACTORS ON THE PERFORMANCE OF INDIVIDUAL INVESTORS AT COLOMBO STOCK EXCHANGE (SPECIAL REFERENCE TO KURUNEGALA DISTRICT)

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# ABSTRACT

Although finance has been studied for thousands years, behavioral finance which considers the human behaviors in finance is a quite new area. Behavioral finance theories, which are based on the psychology, attempt to understand how emotions and cognitive errors influence individual investors' behaviors (investors mentioned in this study are referred to individual investors).

The main objective of this study is exploring the impact behavioral factors influencing individual investors' performance at the Colombo Stock Exchange. Furthermore, the relationship between these factors and investment performance are also examined. As there are limited studies about behavioral finance in Sri Lanka, this study is expected to contribute significantly to the development of this field in Sri Lanka. The study begins with the existing theories in behavioral finance, based on which, hypotheses are proposed. Then, these hypotheses are tested through the questionnaires distributed to 150 individual investors (Kurunegala district) at the Colombo Stock Exchange using random sampling method. The collected data are analyzed by using SPSS. There are four behavioral factors affecting the investment decisions and performance of individual investors at the Colombo Stock Exchange which are Herding, Heuristics, Prospect and Market.

The data collected in the study were analyzed using univariate and bivariate analysis. The study tries to find out mean, standard deviation, correlation and regression between these behavioral factors and investment performance. In contrast, there is a positive relationship between behavioral factors and the investment performance. All most all the variables demonstrate that there is a high impact of behavioral factors on the performance of individual investors (Kurunegala District) at Colombo Stock Exchange.

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