

# Factors Influencing on Investment Decision in Capital Market in Sri Lanka

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## ABSTRACT

The purpose of this research study is examine the nature of investor behavior in equity investment decisions pertaining to companies listed on Colombo Stock Exchange. Research is hypothesized that contextual variables and influences in addition to individual knowledge affect investment decisions. Factors such as interest rate (IR), foreign investment (FI), advisor recommendation (AR), publicly available accounting information (PAAI), market liquidity (ML), dividend policy (DP) and current event (CE) are identified as independent variables. Sample consists of individual investors, corporate investors, fund managers and foreign investors. Data is collected through a structure questionnaire administered personally. In addition to key variables, contextual variables namely education level and experiences level of investors in the equity market investment are also analyzed.

Literature supports that equity investment decisions are highly supported by those factors. This study finds that foreign investment (FI), advisor recommendation (AR), publicly available accounting information (PAAI), market liquidity (ML), dividend policy (DP) and current event (CE) significantly influence on investment decision. However, it is interesting to know that interest rate (IR) and advisor's recommendation is not significant for equity investment decisions. Similarly the level of education does not have a strong bearing on equity investments.