FACTORS INFLUENCING EFFECTIVENESS OF INDIVIDUAL INVESTOR'S DECISION MAKING: EVIDENCE FROM SRI LANKAN STOCK MARKET

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ABSTRACT

The investor decision making plays an important role in the investor's return. However, the factors influencing investment decision making of individuals can differ from person to person because of their personal, psychological, economical, social and environmental factors. Therefore, the main objective of this study is to determine the factors influencing effectiveness of individual investor's decision making in Sri Lankan stock market. 150 individual investors who are involving in stock market activities from Jaffna district have been selected for this survey. Self- administered and structured questionnaires were used to collect the relevant data from investors. The questionnaire constituted 34 items which are consisted in three parts like demographic information, factors influencing effectiveness of individual investor decision making and questions related with the effectiveness of investor's decision making. Accounting information, neutral information, self - image/firm image, advocate recommendation and personal financial needs have been considered as explanatory variables and effectiveness of individual investor decision making has been considered as outcome variable. Descriptive, correlation and regression analysis have been used to analyse the data with aid of SPSS (version 20.0). Cronbach's Alpha was used measure the reliability of the collected data. As per the results of the regression analysis, accounting information, neutral information and self-image/firm image have significant influence on effectiveness of individual investor's decision making while advocate recommendation and personal financial needs have not significantly influenced on effectiveness of individual investor's decision making in stock market. Outcome of the survey may be considered by current and future investors to make their effective investment decision.

Keywords: Accounting information, Neutral information, Self-image/firm image, Advocate recommendation, Personal financial needs and Investor decision making.

1. INTRODUCTION

There is a great emphasis on investment for being the primary instrument of economic growth and development of the country over the world. Investment means increase in capital spending and it helps in creating a healthy econamy. The investor decision making plays an important role in the investor's return but factors influencing on decision making of individual can differ from person to person because of their economical, social, personal and psychological and environmental

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factors. Every individual investor possesses different mindset when they decide about investing in a particular investment avenue such as stocks, bonds, mutual funds, fixed deposit, real estate etc. Currently, there are variety of investment instruments available in the world.

Generally, every individual investor desires his/her money to be invested in most secure and liquid investment avenue. However, the decision varies for every individual depending on their risk taking ability and the purpose for which such investment is to be done. Purpose of investment can be connected with saving intention. Most of the individual investor's investment behaviour tell how he/she wants to share out the additional financial resources to a choice of instruments for investment available. An investment decision involves a preference on how to succeed their funds now in expectation of acceptable flow of remunerations in the prospect. It is a commitment of current funds for future benefits. Investment decision making is considered as complex progression. It is the process of selecting a particular alternative from a variety of alternatives. It is an activity that followed after proper investment appraisal of all available alternatives (Subramani & Venkatraman, 2003). Investors differ from one another in different aspects and demographic factors, such as socio-economic, education, sex, race psychological factors, age etc. There is a common believe that high risk is connected with the greater chances of higher return and lower risk is linked with the greater chances of yielding lower return. Investors while constructing their investment portfolio need to consider their risk tolerance, rate of return, market conditions such as exchange rate, interest rate, inflation, level of competition and other constraints. According to the utility theory, investors are choosing their investment alternatives in order to maximize their benefits. Utility theory views on investors are normally rational, able to deal with complex selections, risk averse and wealth maximizing (Nagy & Obenberger, 1994).

Commonly, there is a general believe on a trade off in investing between risk and return. Return is the income received on an investment plus any changes in the market price. An investor can receive return from stock when prices of stocks go up over time or when dividends are paid (Mishkin & Eakin, 2006). The initial move in taking an investment decision is determining the minimum required rate of return on investment (Reilly & Brown, 2011). Thus, the decisions of investors on stock market play an important role in defining the market trend, which then influence the economy. However, financial commentators have argued that behavioural financial theories assume that investors rationally maximize their wealth by following basic financial rules and making investment decision on the risk-return consideration. Level of risk tolerance of the investors mainly depends on their personal characteristics and attitudes on risk.

A large number of the studies have been conducted in factors influencing on investor's decision making. Variety of factors have been used in a range of studies that influence individual investor's investment decisions. For instance Merikas, Merikas, Vozikis and Prasad(2004) used five categories namely: accounting information, subjective/personal, neutral information, advocate suggestion and personal monetary needs to explain the factors that influence individual investor behaviour. Nagy and Obenberger (1994) used seven factors: social relevance, self-image/firm-image, neutral information, classic wealth maximization, accounting information, advocate recommendation and personal financial needs. The very fundamental thing is to be identified the factors influencing their investment decision. Without sufficient knowledge of influencing factors, it is difficult to achieve their objective. Most of the individual investors did not have the sufficient knowledge of basic economic concepts required to make investment decision (Sultana & Pardhasaradhi, 2012).

With the evidence of previous studies (Meriks et al., 2004; Nagy & Obenberger,1994), there are five factors have been considered to examine the influence on effectiveness of individual investor decision making in stock market which are accounting information, neutral information, self-image/Firm image, advocate recommendations and personal financial needs. Investors invested their money in various types of investment in Sri Lankan market to earn yield and dividend, interest, capital gain and other benefits. After ended of the civil war, Jaffna investors have more opportunities to invest their money in different sectors. To best of our knowledge, it is very hard to see the papers in the topic of factors influencing on individual investor's decision making in the North part of Sri Lanka. Most of the investors are facing difficulties to identify the factors influencing their investment decisions. This is a huge problem faced by investors and this is a gap for this study. This study is essential to fill this gap and to help individual investors to make effective investment decision. This study fills the gap and assists to investors to make the effectiveness of investment decisions and to get higher profit from their investments.

Statement of the Problem

Primary focus of the previous studies were conducted to find out the various factors influencing individual investment decision making. Moreover, majority of these studies were focused on developed countries while very few studies focused on emerging countries. Specially there are very limited studies conducted in Sri Lanka to identify the factors influencing on effectiveness of investment studies. Therefore, current study fills this gap by identifying the factors influencing effectiveness of individual investor's investment decision making in Sri Lanka with special reference to Jaffna district. Based on the problem following research question is formulated.

RQ: What are the factors influencing on the effectiveness of individual investor's decision making in Stock market?

Therefore, based on the research question the main objective of the study is to determine the factors influencing effectiveness of individual investor's decision making in Sri Lankan Stock market.

2. LITERATURE REVIEW

2.1 Theories of Investors' Behaviour

Investment in the capital market can be undertaken by an investor for three basic objectives: Wealth maximisation, Liquidity maintenance and Risk minimisation. It implies that a rational investor is influenced by these objectives when making investment decisions. Some theories and knowledge help to investors for understanding the investment, features of investments and help to make the effective decision. Regret theory, Mental Accounting theory, Prospect/Loss-Aversion theory and the theory of overconfidence are related with investors to make effectiveness of investment decisions.

Regret Theory

Regret theory deals with the reaction of the emotional people's experience after recognizing they've made an error in judgment. According to this theory, investors were attracted by the prospect of

selling a stock, immediately after that investors will be emotionally affected by the price at which they will purchase the stock. When they face the loss from that investment then they will realize that they have made wrong in judgment about the market (Taylor, 1997).

Theory of Mental Accounting

Mental accounting theory states that human has an inclination to put exact events into mind compartments and the difference between these compartments sometimes impacts our behaviour more than the events themselves. According to this theory, investors are more reluctant to sell the stock with the smaller profits. They generate me a mindset for the gains they once had, causing them to wait for the return of that gainful period. It provides the way for decision makers to set the points of reference for the accounts that determine losses or gains (Thaler, 1985)

Prospect/Loss-Aversion Theory

According to this theory, people will convey a different level of feeling towards gains than towards losses. A loss always appears larger than a gain of equal size. Prospect theory explains the reason why investors keep into losing stocks; people often take more risks to avoid losses than to realize gains. The risk aversion theory expresses a different explanation why investors might choose to hold their losers and sell their winners; they may believe that toady's losers may soon outperform today's winners (Kahneman & Tversky, 1979).

Theory of Overconfidence

According to the overconfidence theory, generally people estimate themselves as being more than the average in their abilities. They are overestimating their knowledge and skills then they feel their knowledge relative to others. Many investors believe they can consistently time the market. Sometimes in the realism there's a devastating amount of evidence that proves otherwise (Tapia & Yermo, 2007).

2.2 Empirical Evidences on Factors Influencing Effectiveness of Investment Vecisions

AL-Tamimi (2005) conducted a study to investigate the factors influencing individual investor behaviour on the United Arab Emirates (UAE) financial market. From the findings of his study, he has listed the most influencing factor as it was in order of importance: expected corporate earnings, get rich quick, stock marketability, past performance of the firm's stock, government holdings and the creation of the organized financial markets. He also found that least influencing factors on individual investment decision making and it has been summarized in an order of least importance: expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions and gut feeling on the economy.

Aregbeyen and Mbadiugha carried out a study in 2011 on factors influencing investors decisions in shares of quoted companies in Nigeria. They have found ten most influencing factors on investor's decision in order of the importance which were motivation by people who have attained financial

security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of board of directors of companies, recent financial performance of the company, ownership structure of the company, reputable predictions of future increment in share value and bonus payments.

Kaleem,Wajid and Hussain (2009) studied the factors affecting financial advisors perception in portfolio management in Pakistan. Results of their study revealed that the brokers/ financial advisors considered friendly environment at workplace, followed by countries laws and then job satisfaction and quality of service as most important attributes. Also found that age, income, language and orientation of education had significant role in determining the investment style of an investor.

Merikas et al. examined the economic factors and individual investor behavior in Greek stock exchange in 2008. Findings of their study concluded that expected corporate earnings, firm status in industry, condition of financial statements, protection of the investor, recent price movement, get rich quick and ethics of the firm are significantly influence on investor decisions.

Obamuyi (2013) conducted a well known study on the factors influencing investment decisions in Nigerian capital market. Findings of their study suggested there are five most influencing factors on investment decision have been identified and which are past performance of the company stock, expected stock split/ capital increased/bonus, dividend policy, expected corporate earnings and get-rich quick. He also found that there are five least influencing factors which are religion belief, rumors, loyalty to the company's products/services, opinions of members of the family and expected losses in other investments.

Sharma and Gupta (2011) analyzed the role of subjective norm in investment decision making in India and they have found that number of factors influencing the investment decisions which were risk, return, peer influence, recommendation of financial advisors and market trends.

Usmani (2012) conducted a study on factors influencing individual investor behavior in Pakistan and suggested that individual's base their stock purchase decisions on wealth maximization criteria combined with past and present stock performance. Investors also used of the accounting information derived by financial statements and the firm's financial position in general. Also found that the recommendations of family members, friends and coworkers go largely unheeded, recommendation of stock brokers were considered but most of the investors were self reliant and make investment decisions on their own without anyone influence.

Sultana and Pardhasaradhi (2012) investigated factors influencing Indian individual equity investor's decision making and behavior. Findings of their study suggested that wealth maximization, risk minimization, brand perception, responsibility, financial expectation, accounting information, government and media, economic expectation and advocate recommendation factors are influencing factors on individuals investment decisions..

Fares and Khamis (2011) investigated individual investor's stock trading behavior at the Amman Stock Exchange, Jordan, using the multiple regression analysis. Findings of their study concluded

that four behavioral factors (age, education, accessibility to the internet and interaction between the investor and his/her broker) that influenced investor's trading decisions. As per their findings, investor's age, education and his/her accessibility to the internet had a significant and positive impact on stock trading, while the interaction between the investor and his/her broker had a highly significant and negative impact on the stock trading.

Rosemary and Bitrus (2016) investigated fundamental factors influencing individual investors to invest in shares of manufacturing companies in the Nigerian capital market. The study found that the five most influencing factors which were past performance, expected bonus issue, growth potential, future dividend and the profitability of the company.

Velumoni and Rau (2015) examined the factors influencing equity investment decision in India. They have found that the most influencing factors which were promoter's track records, past experience (success/ failure), products/services of best quality, reputation of the company, life cycle of the industry (pioneer, growth, maturity, etc.), knowledge about the share market and affordable share price. Also they have found that the least influencing factors which were get rich quick, brokerage firm's advice, opinion of majority of shareholders, spouse/relative/family members opinion and friend or coworkers recommendations.

Ali and Tariq (2013) conducted a study on factors affecting individual equity investor's decision making in Pakistan and the study found that strong influence of self- image/ firm image, neutral information and advocated recommendation on individual equity investor decision making. Also found no influence of factors like classic wealth maximization, accounting information and personal financial needs on individual equity investor's decision making.

Cooray (2003) identified the factors affecting investment decisions in Sri Lanka and the study found that factors were risk factors, return on investment, liquidity of investment, tax consequences of an investment, inflation and the term of an investment. Consequently, Kengatharan and Kengatharan,L (2014) conducted a study on influence of behavioral factors in making investment decision and performance in Colombo Stock Exchange, Sri Lanka. They have found that there are four behavioural factors that impact the investment decisions of individual investors at the Sri Lankan stock market which are Herding, Heuristics, Prospect and Market factors. Gunathilaka (2014) examined the factors influencing on stock selection decision the case of retail investors in Colombo Stock Exchange and the study found that the accounting information, advocate recommendations and self-image/firm image were significantly influenced on stock selection. Lodhi (2014) conducted a study on factors influencing individual investor behavior in city of Karachi. Results of the study revealed that financial literacy and accounting information help investors in lowering information asymmetry and allows investors to invest in risky instruments and age, experience increased investor preference changes less risky investments.

Sashikala and Girish (2015) also examined a study of factors influencing retail investor's trading behavior in Indian equity market and the results of the study suggested that factors like broker's advice, personal analysis, current price of the equity stock, financial analyst's recommendation, inclination towards online trading, investor's confidence in advice given by his/her financial advisor plays a major role in influencing and affecting trading behavior of retail investors.

Akbar, Salman, Mughal, Mehmood and Makarevic (2016) investigated the factors affecting the individual decision making in the Islamabad Stock Exchange and the study found that positive significant relationship between advocated recommendations, neutral information and self-image/ firm image with the individual investor investment decision. The study did not find any evidence on relationship of accounting information, classical wealth maximization and personal financial needs with individual investment decision making.

Udeepa (2015) conducted a study on factors influencing investment decisions in stock market: a study of individual investors in Colombo Stock Exchange and found that five most influencing factors on investment decision of investors in Sri Lanka which were: past performance of the company's stock, expected corporate earnings, dividend policy, get-rich quick, marketability of the company. Also, the five least influencing factors included religious reasons, rumors, loyalty of the company's products government had a share in the company and insiders' information.

Based on research gap and research question the following research hypotheses are constructed for this study. Formulation of hypotheses from the literature review in order to answer the research questions have been listed below:

H1: Accounting information significantly impacts on effectiveness of individual investor decision making
H2: Neutral information significantly impacts on effectiveness of individual investor decision making
H3: Self - image/ firm image significantly impacts on effectiveness of individual investor decision making
H4: Advocate recommendations significantly impacts on effectiveness of individual investor decision making
H5: Personal financial needs significantly impacts on effectiveness of individual investor decision making

Therefore, from the empirical evidences from the previous studies following conceptual framework and variables operationalization have been summarised below to carry out the current study.
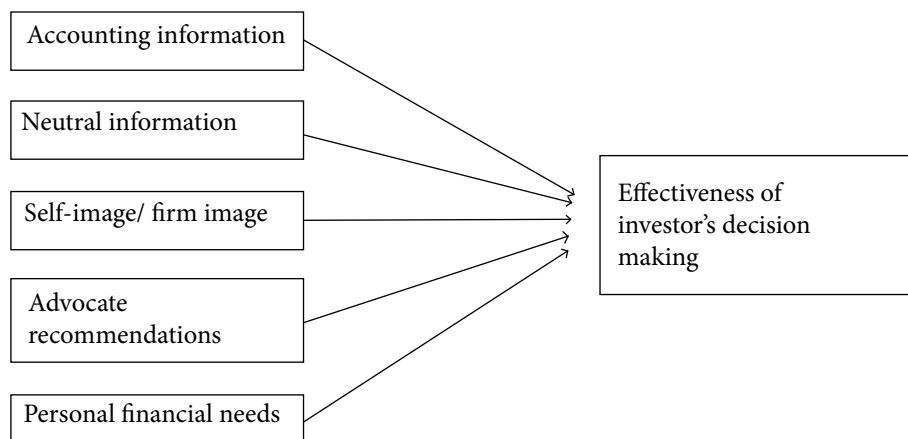

Figure 1: Conceptual Frame Work (Source: Developed by researchers)

Table 1: Operationalization of Variables

Concept	Variables	Indicators	Measurement
Influencing factors on Investor's decision (1=No influence to 5=Most significant influence)	Accounting information (Nagy and obenberger 1994, Merikas et al., 2004 and Al Tamimi 2005).	Expected earning Expected dividend Current condition of Financial statements Dividend paidStock marketability Past performance of the Firm.	Questions 5 point Likert Q1 - Q6
	Neutral information (Nagy and obenberger 1994, Merikas et al.,2004 Al Tamimi 2005).	Current economic indicators. Recent price movement of firm stock. Individual market awareness. Political stability Information obtained from internet.	Questions 5 point Likert Q7 – Q11
	Self -image/Firm image (Nagy and obenberger 1994, Merikas et al.,2004 Al Tamimi 2005).	Company stability Firm goodwill Firm reputation in industry Social status Firm Governing body (Board of directors and CEO).	Questions 5 point Likert Q12 – Q16
	Advocate ecommendations (Nagy and obenberger 1994, Merikas et al., 2004, Al Tamimi 2005).	Brokers recommendations Family members opinions Friend/co-workers opinions Opinions of firm majority stock holders	Questions 5 point Likert Q17 – Q20
	Personal financial needs (Nagy and obenberger 1994, Merikas et al., 2004, Al Tamimi 2005).	Diversification needs Big-quick profit Minimizing risk Easy to obtaining borrowing funds.	Questions 5 point Likert Q21 – Q24
Effectiveness of investor's decision making (1= Strongly disagree to 5= Strongly agree).	Effectiveness of investor's decision making (Muhammad & Abdullah 2009).	Satisfied level on investment decision Usually get expected return on investment decision Risk tolerance towards investment decision	Questions 5 point Likert Q25 – Q27

3. RESEARCH METHODS

Sampling

The population of the study consists of all individual investors who are involving stock market activities in Jaffna district. A sampling frame is closely related to the population. A sample is a part of population which is selected for obtaining the necessary information. This study had been organized to collect data from the investors who are involving stock market activities in Jaffna peninsula. Participants is collected through convenient sampling method. In order to carry out the survey, 150 individual investors on CSE in Jaffna district have been selected and then self- administered questionnaire was used to collect the data from investors. From the 150 individual investors only 120 investors responded to the survey.

Design of Questionnaire

A structured questionnaire was developed by Al-Tamimi (2005) for his study which was on factors influencing individual investor behaviour in UAE. With the support of this tested questionnaire, researchers modified that tested questionnaire based on Sri Lankan context. The questionnaire was divided into the three parts: personal information, questions related with factors influencing on investment decision and questions related with effectiveness of investment decision making. The amended questionnaire consists of thirty four questions. All factors which influence the investor's decision are measured on a 5 point Likert scale (1=No influence to 5= Most significant influence). These items were taken from previous studies of (Nagy & obenberger, 1994, Merikas et al., 2004 and Al Tamimi,2005). Dependent variable was effectiveness of individual investment decision making which consists of three items measured on a 5 point Likert scale (1 = Strongly disagree to 5 = Strongly agree). The instrument to measure effectiveness of individual investor decision making is adopted from Muhammad and Abdullah (2009).

Data Collection

Colombo Stock Exchange (CSE) is the only one stock market in Sri Lanka. After ended the 30 years civil war in North part of Sri Lanka, CSE's Jaffna branch has been conducting awareness workshops and seminars for the people who are involving in the stock market activities in Jaffna district. Using convenience sampling, 150 participants were selected from the workshops and seminars which were conducted by CSE's Jaffna Branch. Questionnaires distributed to investors who had regular visits to CSE's Jaffna branch during the seminars and workshops. Also researchers have met the investors and distributed questionnaire to investors when meeting them in specific programs with the help of manager and executives staff of CSE's Jaffna branch. Initially pilot test was conducted with the 10 investors. No problems found in pilot testing then researchers conducted the survey to collect the relevant data.

4. DATA ANALYSIS

Demographic Statistics of Survey Respondents

Demographic profile of survey respondents are presented in the table 2. Gender, age, civil status, educational qualification, monthly income and number of years involving in capital market investment considered as demographic profile of respondents.

Table 2: Demographic Summary of the Responses

Title	Category	Frequency	Percentage (%)
Gender	Male	94	78.33%
	Female	26	21.67%
Age	18-25 Years	21	17.50%
	26-35 Years	41	34.17%
	36-45 Years	25	20.83%
	46-55 Years	23	19.17%
	Over 55 years	10	8.33%
Marital Status	Unmarried	31	25.83%
	Married	85	70.83%
	Divorced	04	3.33%
Educational Qualification	G.C.E (O/L) or less	12	10%
	G.C.E (A/L)	34	28.33%
	Diploma	20	16.67%
	Bachelor Degree	41	34.17%
	Postgraduate degree	13	10.83%
Monthly Income	50 000 or less	58	48.33%
	50 000 - 75 000	43	35.83%
	75 000 – 100 000	13	10.83%
	100 000 – 125 000	06	5%
	125 000 – 150 000	00	0%
Years of Experience	Under 1 year	17	14.17%
	1 – 3 years	52	43.33%
	3 – 5 years	34	28.33%
	5 – 10 years	13	10.83%
	Over 10 years	04	3.33%

Source: Survey data

As per the results presented in the table 2, on the basis of gender, most of the respondents were male (94) 78.33% and other rest of the respondents were female (26) 21.67%. When we look on the age group of the respondents, 34.17% (41) of respondents fall within the 26-35 years of age group and only 8.33% (10) of the respondents were over 55 years. 20.83% of respondents participated from age group of 36-45 years 19.17% of respondents age group was 46-55 years and 17.50% percentage of respondents fall within the 18-25 years of age group.

Further, 70.83% (85) of respondents were married and only 3.33% (04) of the respondents were divorced. 25.83% (31) of respondents were unmarried.

Out of 120, 41 respondents were bachelor degree holders and only 10% (12) of the respondents participated with the G.C.E (O/L) or less. Monthly income of the respondents were categorised in to five groups as indicated in the table 2. As results indicated in the table, 48.33% (58) of respondents participated from income group 50 000 or less and only 5% (06) of respondent fall within 100 000-125 000. 35.84% (43) of respondents were participated from income group 50 000- 75 000.10.83% (13) of respondents were participated from income group 75 000 – 100 000.

Table indicated no of years involving in capital market investment of respondents. 43.34% (52) of respondents were having experience of 1 -3 years and only 3.33% (4) of respondents were over 10 years of experience.

Reliability of the Measures

Reliability of the measures was assessed with the use of Cronbach's alpha. Cronbach's alpha allows us to measure the reliability of the different categories. As a general rule a coefficient greater than or equal to 0.6 is considered acceptable and a good indication of construct reliability (Nunnally, 1978). The Cronbach's alpha value for the five independent variables namely, accounting information, neutral information, self-image/firm image, advocate recommendation and personal financial needs are (0.812), (0.613), (0.614), (0.808), (0.657) respectively. The alpha value of the effectiveness of investor decision making is 0.882. The alpha value of the all variables is greater than 0.6 it indicates that these all variables are reliable.

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Det'n
Accounting Information (AI)	120	1.83	5.00	3.8819	.66890
Neutral Information (NI)	120	1.80	5.00	3.2150	.65397
Self image/firm image (SI)	120	1.80	4.00	3.1683	.46381
Advocate Recommendation (AR)	120	1.25	4.50	2.3333	.86623
Personal Financial Needs (PFN)	120	1.25	4.25	2.4125	.66866
Effectiveness of Investor Decision Making (EIDM)	120	1.33	5.00	3.6972	.78263
Valid N (list wise)	120				

Source:- Survey data

As per the results presented in the table 3, accounting information has 1.83 minimum value, 5.00 of maximum value and 3.8819 of mean value. Neutral information has minimum value of 1.80,

maximum value of 5.00 and mean value of 3.2150. Self-image/firm image has 1.80 of minimum value, 4.00 of maximum value. At the same time it has mean value of 3.1683 and standard deviation of 0.46381. According to the table advocate recommendation has 1.25 of minimum value and 4.50 of maximum value. At the same time it has mean value of 2.3333 and standard deviation of 0.86623. Personal financial needs have minimum value of 1.25 and maximum value of 4.25 and at the same time it has mean value of 2.4125 and standard deviation of 0.66866. As per the results presented in the table, the effectiveness of investor decision making has 1.33 of minimum value and 5.00 of maximum value. At the same time it has mean value of 3.6972 and standard deviation of 0.78263.

Table 4: Relationship between Factors Influencing on Effectiveness of Investor Decision and Effectiveness of Investor's Decision Making

		AI	NI	SI	AR	PFN	EIDM
AI	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	120					
NI	Pearson Correlation	.292**	1				
	Sig. (2-tailed)	.001					
	N	120	120				
SI	Pearson Correlation	.577**	.172	1			
	Sig. (2-tailed)	.000	.060				
	N	120	120	120			
AR	Pearson Correlation	-.272**	.400**	-.058	1		
	Sig. (2-tailed)	.003	.000	.528			
	N	120	120	120	120		
PFN	Pearson Correlation	-.161	.309**	-.032	.640**	1	
	Sig. (2-tailed)	.079	.001	.728	.000		
	N	120	120	120	120	120	
EIDM	Pearson Correlation	.600**	-.072	.489**	-.357**	-.324**	1
	Sig. (2-tailed)	**.000**	.434	**.000**	**.000**	**.000**	
	N	120	120	120	120	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4 revealed that there is a significant positive association between accounting information and effectiveness of investor decision making (r = 0.600, p < 0.01) it can be concluded that accounting information significantly positively associated with effectiveness of investor decision making. There is no significant association between neutral information and effectiveness of investor decision making (r = -0.072). The p-value is 0.434 (p > 0.05). It can be concluded that there is no significant relationship between neutral information and effectiveness of investor decision making. Table further revealed that there is a significant positive association between self-image/firm image and effectiveness of investor decision making (r = 0.489, p < 0.01). It can be concluded that self -image/ firm image significantly positively associated with effectiveness of investor decision making. Table 4 further revealed that, there is a significant negative association between advocate recommendation and effectiveness of investor decision making (r = -0.357, p < 0.01). It can be concluded that advocate recommendation significantly negatively associated with effectiveness of investor decision making. There is a significant negative association between personal financial needs and effectiveness of investor decision making (r = -0.324, p < 0.01) it can be concluded that personal financial needs significantly negatively associated with effectiveness of investor decision making.

Regression Analysis

Here multiple regression has been used to identify the relationship between factors influencing effectiveness of investor decision and effectiveness of investor decision making.

Table 5: Impact of Factors Influencing Effectiveness of Investor Decision Making

Model		Unstandardized Coefficients		T	Sig.
		Coefficient	**Std. Error**		
1	(Constant)	1.491	.458	3.255	.001
	AI	.570	.111	5.134	.000
	NI	-.231	.099	-2.324	.022
	SI	.395	.141	2.807	.006
	AR	-.030	.089	-.340	.735
	PFN	-.184	.103	-1.789	.076

R-squared=0.483   F statistic=21.320   P-value=0.000

a. Dependent Variable: EIDM (Effectiveness of Investor Decision Making)

EIDM=1.491+0.570AI-0.231NI+0.395SI-0.030AR-0.184PFN + e

As per the data presented in the table 5, R^2 value was 0.483 denotes that 48.3% of the observed variability in effectiveness of investor's decision making can be explained by the all independent variables such as accounting information, neutral information, self - image/firm image, advocate recommendation and personal financial needs. The remaining 51.7% of the variance in investment decision making was not explained in this model.

As per the results presented in the table, accounting information (β =0.570, $p < 0.01$) has positive significant influence on effectiveness of investor decision making and then it can be concluded that accounting information has a significant positive impact on effectiveness of investor decision making.

Neutral information (β = -0.231, $p < 0.05$) has a negatively significantly influenced on effectiveness of investor decision making. Self - image/firm image (β = 0.395, $p < 0.05$) has positively significantly influence on effectiveness of investor decision making. It can be concluded that self - image/firm image has a significant positive impact on effectiveness of investor decision making. As per the results presented in the table 5, advocate recommendation (β = -0.03, $p > 0.05$) has no significant impact on effectiveness of investor decision making. As per the results presented in the table 5, personal financial needs (β = -0.184, $p > 0.05$) has no significant impact on effectiveness of investor decision making.

Hypothesis Testing

As per the results presented in table 5, accounting information has significantly positively influenced on effectiveness of individual investor decision making. Therefore, H_1 is supported with the result of this study that there is significant positive impact of accounting information on effectiveness of individual investors decision making. As results indicated in table, neutral information is significantly negatively impacted on effectiveness of individual investor decision making in Jaffna district. Thus, H2 is also supported with the result of this study. H3 stated that self-image/firm image significantly positively impacts on effectiveness of individual investor decision making in Jaffna district and H3 is supported with the result of this study. H4 stated that advocate recommendation significantly impacts on effectiveness of individual investor decision making in Jaffna district and H4 is not supported with the result of this study that there is no significant relationship between advocate recommendation and effectiveness. Further, H5 stated that there is significant impact of personal financial needs on effectiveness of individual investor decision making in Jaffna district. H5 is also not supported with the result of this study.

5. CONCLUSIONS AND RECOMMENDATIONS

The main objective of the study is to determine the factors influencing on effectiveness of individual investor's decision making in Sri Lankan stock market. Data have been collected through the questionnaire from investors in Sri Lankan stock market. The study has been conducted with five independent variables and one dependent variable. Accounting information, neutral information,

self-image/firm image, advocate recommendation and personal financial needs have been considered as independent variables and effectiveness of investor decision making has been considered as dependent variable. Then collected data has been analysed using appropriate statistical tools. Based on the correlation and regression analysis the accounting information, neutral information and self image/firm image are significantly influenced on effectiveness of investor's decision making. Advocate recommendation and personal financial needs have no significant influence on effectiveness of investor's decision making. Outcome of the study may be useful to Management of company when they develop new corporate strategies in order to maintain existing market and also develop new innovative strategies to capture new market in order to sustain in the business.

Recommendation

Investors need knowledge about stock market. They also need to know how and when they should invest in the stock market. Colombo Stock Exchange and relevant agencies arrange the awareness program and conference but few investors participate in the program. Investors need to communicate with the agencies and it is necessary to get knowledge about stock market. There should be improvement in the awareness of investment market activities in Jaffna. Individuals should be financially aware and taught about the investment market activities and its role. The researcher recommends that the investors need to analysis the investment factors carefully using the reasonable business knowledge before making an investment decision. The investors should also be able to interpret the market and economic indicators since they influence the performance of the share on the market.

6. SUGGESTIONS FOR FUTURE RESEARCH

The following suggestion is proposed for future research.

The study has several limitations. Firstly, the study used a small sample, which restricts the generalization of the findings to the whole population in Sri Lanka. In addition, the sample was obtained from investors in Jaffna district. Future research should consider using large samples as well as respondents from other districts. Future research should consider conducting qualitative methodology such as interviews and focus groups to explore the phenomenon of investing among these future investors. The researcher utilized only five variables and indeed future research can focus on other variables like economic factors, classical wealth maximization, and behaviour factors. The research concentrated on accounting information, neutral information, self -image/firm image, advocate recommendation and personal financial needs as factors influencing on investor's decision making in Colombo Stock Exchange. However, the study recognizes that there are other areas which need to explore in explaining the investor decision making. The following areas which are recommended for future research, investor perception of information disclosed in financial reports and investor behaviour, trust and investor participation in different types of investment. The research was only considered the investors who are investing in Colombo Stock Exchange. Future research should consider all investors like bank, other institutional investors and investors in real estate.

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