

INFLUENCE OF RISK AVERSION ON CHOICE OF INVESTMENTS IN SRI LANKA

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Abstract

The purpose of this study is to examine the level of risk aversion among investors in Sri Lanka and how it impacts the choice of investments. This study considers seven investment choices including savings, fixed deposits, stocks, corporate debentures, government securities, unit trusts and other long-term investments such as real estate and retirement plans. This research is based on positivism philosophy and deductive research approach. A survey research strategy was followed as this study is based on the mono method quantitative choice. A structured questionnaire was employed to collect data and obtained 352 responses. Statistical analyses including factor analysis, correlation, and linear regression, were carried out through SPSS software. The results depicted high-risk aversion among the investors in Sri Lanka. Further, they are highly concerned about the safety of the investments and guaranteed returns. Moreover, the study found a statistically significant relationship between risk aversion and investment choices. Previous studies in the Sri Lankan context have assessed how different behavioural factors affect investment decision of specific investors such as stock investors or investors of a specific geographical area. Hence, this study considers all types of investors and their level of risk aversion. Based on the research findings, the author highlighted strategies to investors, educators, and financial intermediaries to encourage investors to expand the choice of investment products.

Keywords: Investment choice, Level of risk aversion, Risk aversion, Sri Lanka