



ACCOUNTING & FINANCE STUDENTS' RESEARCH SYMPOSIUM

28TH FEBRUARY 2025

**03rd ACCOUNTING & FINANCE
STUDENTS' RESEARCH
SYMPOSIUM**

**ADVANCING ACCOUNTING FOR A SUSTAINABLE
FUTURE: INTEGRATING FINANCE, EDUCATION,
DIGITALIZATION, AND CORPORATE
RESPONSIBILITY**

FOCUSING

- Digitalization and Educational Practices in Accounting and Finance
- Navigating Financial Behavior and Investment Choices
- Corporate Responsibility, Ethics, Governance and Sustainability in Financial Decision Making

Organized By
Department of Accounting and Finance, Faculty of Business, NSBM Green
University, Sri Lanka

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PREFACE

Welcome to the third edition of the Accounting and Finance Students' Research Symposium (AFSRS) 2025, organized by the Department of Accounting and Finance. This year, under the theme "Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility," we seek to explore the evolving role of accounting and finance in fostering long-term sustainability. Our focus is on the integration of financial innovation, digital transformation, responsible corporate practices, and education to build a resilient and ethical financial landscape. Through this symposium, we aim to foster meaningful discussions on shaping a future where financial systems contribute to sustainable economic growth and societal well-being.

The AFSRS 2025 stands as a testament to our commitment to pushing the frontiers of knowledge and practice. It is a platform where the confluence of digitalization, human behavior in financial decision-making, ethical considerations in financial practices, and the changing educational and career landscape in accounting and finance will be explored. These areas, critical for the sustainability of businesses and economies worldwide, reflect the dynamic and interconnected nature of our field.

We are profoundly grateful to Prof. E A Weerasinghe, the Vice-Chancellor, and Prof. Chaminda Rathnayaka, the Deputy Vice-Chancellor of NSBM Green University, for their visionary leadership and continuous support. Their commitment to excellence has been a guiding light for us all, making events like AFSRS 2025 possible.

Our heartfelt thanks also go to Ms. Thilini De Silva, the Dean of the Faculty of Business, NSBM Green University, and Ms. Anne Pathirana, Head of the Department of Accounting and Finance,

for their unwavering support and guidance. Their leadership has been instrumental in the realization of this symposium. Similarly, Prof. J. Baratha Dodankotuwa, the Head of Academic Development and Quality Assurance, has provided invaluable input and guidance, enhancing the academic rigor of our proceedings.

We extend our appreciation to all presenters and participants, whose contributions form the cornerstone of AFSRS 2025. Your research, insights, and active engagement are pivotal to the symposium's success. Additionally, the dedication and expertise of our reviewers, who have ensured the high quality of the manuscripts and proceedings, deserve special mention. As we embark on this intellectual journey, we are excited about the discussions, insights, and collaborations that AFSRS 2025 will foster. Together, we are advancing accounting for a sustainable future by integrating finance, education, digitalization, and corporate responsibility to drive long-term economic and societal well-being.

Thank you for joining us on this journey!

The Organizing Committee

MESSAGE FROM THE VICE CHANCELLOR



It is with great pleasure and immense pride that I extend my warm greetings to all presenters of the Accounting and Finance Students' Research Symposium 2025 (AFSRS'25) conducted under the theme “Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility”.

Student research holds a special place in moulding the future leaders of our society. It allows students to transcend the boundaries of traditional classroom learning and actively engage with the frontiers of knowledge within the field of Accounting and Finance. By participating in research initiatives, our students acquire invaluable skills such as critical thinking, problem-solving, and effective communication attributes that are essential for success in the fast-paced and ever-evolving world we live in.

Through this symposium, we provide a platform for our undergraduate researchers present their findings, exchange scholarly ideas, and inspire one another. It serves as a testament to their unwavering commitment, exceptional talent, and relentless pursuit of excellence. Each research project featured in this proceedings book is a culmination of countless hours of meticulous investigation, experimentation, and analysis. It demonstrates the capabilities and potential of our undergraduate student body and highlights the valuable contributions they make to the field of Accounting and Finance.

I encourage all attendees to actively engage with the presentations and discussions and to seize the opportunity to learn from their peers. I am confident that this symposium will not only showcase the outstanding achievements of our students but also ignite a passion for research and inspire further excellence in the field of Accounting and Finance.

Thank You.

Prof. E. A. Weerasinghe

MESSAGE FROM THE DEPUTY VICE-CHANCELLOR



It is with great pleasure I pen down this message for the second Accounting and Finance Students' Research Symposium 2025(AFSRS'25), organized by the Department of Accounting and Finance NSBM Green University.

As pioneers in quality education, NSBM Green University recognizes the importance of research and development in shaping the future of our industries. AFSRS 2025 plays a crucial role in generating new knowledge and driving impactful research outcomes that will shape our country's future development of the Accounting and Finance sectors.

I congratulate all presenters for their dedication and look forward to a day filled with insightful presentations, meaningful dialogue, and the fostering of collegial participation relationships. Your participation enriches our symposium, and I extend my gratitude to each of you for your presence.

Thank You.

Prof. Chaminda Rathnayake

MESSAGE FROM THE HEAD OF ACADEMIC DEVELOPMENT AND QUALITY ASSURANCE



With utmost pleasure and pride, I extend a warm welcome to the second Accounting and Finance Students' Research Symposium 2025 (AFSRS'25) conducted on the theme “Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility”. This symposium promises to be a platform for academics, researchers, and students alike to engage in meaningful discourse.

At NSBM, we firmly believe in the importance of research and development, which forms the backbone of our curriculum. AFSRS 2025 stands as a testament to our commitment to fostering innovation and contributing to existing knowledge.

I commend the organizing committee for their hard work in making this event a success. To all participants, I extend my heartfelt congratulations and best wishes for a fruitful and rewarding conference.

Thank You.

Prof. Baratha Dodankotuwa

MESSAGE FROM THE DEAN OF THE FACULTY OF BUSINESS



It is with great pride and enthusiasm that I extend my warmest congratulations to all students presenting their research at the Accounting and Finance Students' Research Symposium (AFSRS) 2025. Now in its third consecutive year, this symposium stands as a testament to the Department of Accounting and Finance's unwavering commitment to fostering academic excellence, innovation, and intellectual curiosity among our students.

This year's theme, "Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility," is both timely and thought-provoking. In an era where businesses are increasingly expected to balance profitability with social and environmental responsibilities, accounting and finance professionals play a crucial role in shaping sustainable business practices. The intersection of financial strategies, technological advancements, and ethical considerations is more relevant than ever, making this symposium a vital platform for knowledge creation and dissemination.

I commend our students for their dedication to scholarly inquiry and for embracing the challenge of addressing contemporary issues in the accounting and finance domains. The research presented here reflects not only academic rigor but also a deep understanding of the evolving global landscape. Your contributions will undoubtedly

add value to the ongoing discourse on sustainability, digital transformation, and corporate accountability, further reinforcing the role of accountants and finance professionals as drivers of responsible business practices.

I am confident that AFSRS 2025 will serve as an inspiring forum for intellectual exchange, critical discussions, and meaningful collaborations. May this event continue to grow in stature, shaping the future of accounting and finance through innovative research and thought leadership.

Congratulations once again to all participants, and the department. I wish you a successful and enriching symposium!

Thank You.

Thilini de Silva

MESSAGE FROM THE HEAD OF THE DEPARTMENT OF ACCOUNTING AND FINANCE



It is with great pride and enthusiasm that I welcome you to the **3rd Students' Research Symposium** organized by the **Department of Accounting and Finance**. This year's theme, "**Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility**," is both timely and relevant as the accounting and finance profession continues to evolve in response to global sustainability challenges.

At our department, we are placing **greater emphasis on research**, recognizing it as a fundamental pillar of academic and professional excellence. Research is not just an academic exercise; it is a tool for problem-solving, innovation, and continuous learning. This symposium is a testament to our commitment to fostering a **strong research culture** among our students, providing them with the opportunity to explore emerging issues, challenge existing paradigms, and propose solutions that will shape the future of accounting and finance.

By engaging in research, our students gain the skills and knowledge necessary to **bridge the gap between theory and practice**, ensuring they are well-equipped to meet industry demands and contribute to sustainable financial and corporate practices. We strongly encourage our students to continue pursuing research with

passion and dedication, as it will set them apart in their academic and professional journeys.

I extend my sincere appreciation to the university's top management, the Dean of the faculty and most importantly, the AFSRS team and all those who have contributed to making this symposium a success. Most importantly, I congratulate all our student presenters on their hard work, dedication, and commitment to academic excellence. Your contributions today are a step toward shaping the future of our field.

Wishing you all an insightful and engaging symposium.

Thank You.

Anne Pathirana

MESSAGE FROM THE KEYNOTE SPEAKER



It is an honor to share my thoughts on a topic that is shaping the future of accounting and business—the transformation of accounting in response to sustainability, digitalization, and corporate responsibility. The accounting profession is at a critical juncture, where traditional financial reporting is evolving to encompass environmental, social, and governance (ESG) responsibilities. Today’s accountants are no longer just financial record keepers; they are strategic advisors or internal business consultants driving sustainable business decisions and performance.

The World Economic Forum’s ‘Future of Jobs Report 2025’ and many other future-oriented industry reports suggest that sustainability specialists, ESG accountants, and climate risk analysts are among the fastest-growing roles. Businesses are increasingly accountable not just for profits but also for their impact on the environment and society. With global initiatives like the Global Reporting Initiative, Corporate Sustainability Reporting Directive (CSRD) and the ISSB Sustainability Standards, companies must now integrate sustainability metrics into their financial disclosures. Even in the Sri Lankan context, the adoption of IFRS S1 and S2 for the top 100 public listed companies in terms of market capitalization has been mandated from 2025. This shift presents immense opportunities for accountants to lead the way in sustainability reporting and ethical decision-making. However, it also comes with many challenges for future accounting professionals.

Technology is another powerful force transforming the profession. Artificial intelligence, automation, blockchain, and big data are revolutionizing accounting

practices, making processes faster, more efficient, and more transparent. However, this also means that accountants must continuously improve their skills to remain relevant and value-adding to their organizations. Hence, in order to cater to these skills required in the future, accounting education must evolve to meet these demands. Universities and professional accounting bodies must equip students with a broader skill set that includes digital finance, sustainability accounting and reporting, and ethical governance. It also calls for capacity building of the accounting educators.

The future of accounting is not just about numbers; it is about creating value beyond financial performance. As future accountants, you have a unique opportunity to shape a more sustainable, transparent, and responsible corporate world. By embracing change, learning new skills, and upholding ethical values, you can drive meaningful impact in the profession and beyond.

I wish you all an insightful and inspiring conference!

Dr Nuwan Gunarathne

University of Sri Jayewardenepura

MESSAGE FROM THE SYMPOSIUM CHAIR



It is with great honor and enthusiasm that I extend a warm welcome to all participants, esteemed scholars, industry professionals, and students to the 3rd Annual Accounting and Finance Students' Research Symposium 2025, organized by the Department of Accounting and Finance, NSBM Green University. This symposium continues to serve as a vital academic platform for the dissemination of research and the advancement of knowledge in the fields of accounting and finance.

The selected theme for this year, "Advancing Accounting for a Sustainable Future: Integrating Finance, Education, Digitalization, and Corporate Responsibility," underscores the critical role of accounting and finance in fostering sustainability and ethical corporate governance. As financial landscapes evolve amidst technological advancements and global economic shifts, the need for integrating sustainable practices with financial accountability has never been more imperative. This symposium aims to engage scholars in scholarly discourse on emerging trends, innovative financial strategies, and the transformative impact of digitalization on financial reporting and decision-making.

Through a rigorous academic agenda, this symposium provides a unique opportunity for undergraduate researchers to present their empirical findings, engage with industry experts, and contribute to the growing body of knowledge in accounting and finance. The event will feature research paper presentations, keynote addresses from

distinguished academics and practitioners, and panel discussions that critically analyze contemporary challenges and opportunities within the discipline.

I extend my deepest appreciation to the organizing committee, faculty members, research supervisors, and industry collaborators whose unwavering support has been instrumental in making this symposium a success. Your commitment to fostering research excellence and academic dialogue is pivotal in shaping the next generation of accounting and finance professionals.

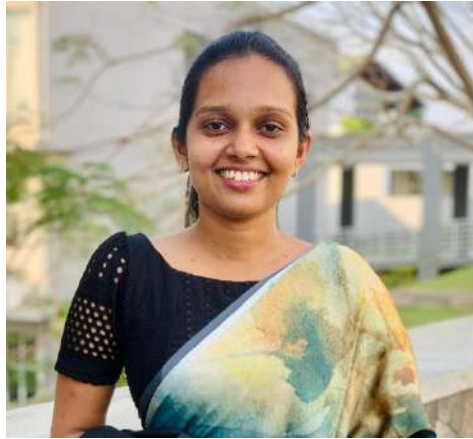
I encourage all participants to actively engage in discussions, exchange ideas, and explore new perspectives that will contribute to the evolution of accounting and finance in alignment with sustainable and responsible practices. Let this symposium serve as a catalyst for innovation and intellectual growth in the pursuit of a more sustainable financial future.

I look forward to a stimulating and intellectually enriching symposium.

Thank You.

Maithri Chandima

MESSAGE FROM THE SYMPOSIUM CO- CHAIR



It is with great pleasure and honor that I warmly welcome all participants to the Accounting and Finance Students' Research Symposium 2025. I extend my best wishes to the presenters of AFSRS 2025, who have successfully completed their research studies as part of their undergraduate journey. This year, for the third consecutive time, we unite under the theme "Advancing Accounting for a Sustainable Future," emphasizing the vital role our discipline plays in fostering resilient and responsible financial systems.

This symposium provides a platform for our students to showcase their research, engage in insightful discussions, and explore innovative solutions to contemporary challenges in accounting and finance. As we navigate an evolving global landscape, sustainability remains at the forefront of our profession, influencing policy, practice, and strategy. Our students—future leaders in the field—bring fresh perspectives and groundbreaking ideas that contribute to the ongoing evolution of accounting and finance. Their dedication and intellectual curiosity serve as an inspiration to us all, reinforcing the importance of research in driving positive change.

I encourage you to make the most of this symposium by engaging in discussions, networking with peers, and embracing the wealth of knowledge that will be shared. Thank You.

Rhythmani Perera

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Factors affecting the behavioral intention to continue the internship program: with specific reference to Accounting and Finance undergraduates in Sri Lanka

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ABSTRACT

An internship program is a period of work experience which may be provided by a particular organization to gain practical working exposure to the individuals who are preparing for their future professions. This study examined the factors affecting the behavioral intention to continue the internship program: with specific reference to Accounting and Finance undergraduates in Sri Lanka. The main research objective is to identify the factors affecting to continue the internship program with specific reference to Accounting and Finance undergraduates in Sri Lanka. To achieve the main objective of the study, quantitative data is collected through a structured questionnaire of 100 Accounting and Finance undergraduates in Sri Lanka. Further study applied the Theory of Planned Behavior and the Regulatory Focus Theory as the theoretical foundation and used Smart PLS 4 to analyze the hypothesized relationship in the study. The results indicate that the promotion regulatory focus, attitudes, subjective norms and perceived behavior control have a significant impact on the behavioral intention to continue the internship. Moreover, the attitude partially mediates the impact of promotion regulatory focus on the behavioral intention to continue the internship, and attitude fully mediates the impact of prevention regulatory focus on the behavioral intention to continue the internship. Further, research could explore to analyze the impact of internship quality on long-term career development under cross-country comparison and digital internships and remote work.

Keywords – Internship, Regulatory Focus Theory, Theory of Planned Behavior

1. INTRODUCTION

Internship programs provide hands-on experience in particular working sectors under the high-level supervision of industry professionals. This aims an individual to apply the academic learnings to the practical scenarios while allowing them to gain valuable skills, knowledge, and expertise relevant to their career goals. Based on today's context, after finishing school education students are moving towards the government and private universities to enhance their higher educational qualifications. The

Ministry of Higher Education in Sri Lanka pushes off all the government and private sector universities and institutions to produce knowledgeable and experienced graduates to the corporate sector. In line with the current context, most employees have fulfilled proper educational qualifications but they are lack in working experience and expertise. Students can improve their working experience through the internship programs in which they are allowed to engage during their undergraduate period. So, this internship program can be taken as the most reliable way to produce a fresh graduate as a knowledgeable and experienced one.

Some prior research has proven that the longer duration of internship programs will provide a higher readiness for the future careers while some research has proven that internship programs are not beneficial for future professions. Madurapperuma et al. (n.d.-a). In addition to that, there were research articles that highlighted the importance of continuing internship programs. According to Anjum (2020) highlighted the impact of internship programs on the professional and personal development of business students. He stated that internships may help to improve professional skills among undergraduates. Gault et al. (2010) has proven in his work that internship programs are not only improve personal skills but also develop their professional growth and experience. Furthermore, (Oehlert, 1998) has stated in his studies that universities and educational institutions should pay more attention to internship programs because undergraduates need full of practical experience when moving to the competitive job market.

Though the above literature has proven the importance of continuing internship programs, The National Survey of College Internships report states that very fewer number of students are continuing their internships. According to the NSCI report, 21.5% of students are continuing internships while 78.5% of students are not continuing their internship programs. Hora et al. (2021)

Table 1.1: Demographic information about internship based on NSCI Report

Internship Continuation	Yes	No
Female	21.6%	78.4%
Male	21.9%	78.1%

Based on the above statistics, it has proven that the majority of the students are not continuing the internships after the required time period. Moreover, in relay on today's job market, fulfilling at least 1 year of experience has become a major requirement. As fresh graduates, they need to prepare themselves with a higher level of academic knowledge plus good working experience to move into the corporate sector. So as the performance gap of the study, there is a gap in between the required

qualification and skill development in future professions and continuing internship programs among the Accounting and Finance undergraduates.

Despite the extensive researches on internship programs across the various contexts, there's a noticeable gap in how the Attitudes, Subjective Norms, and Perceived Behavior Control (Theory of Planned Behavior) will impact the intention to continue the internship program. Moreover, the study analyses the impact of Promotion Regulatory Focus and Prevention Regulatory Focus (Regulatory Focus Theory) towards the behavioral intention to continue the internship program. The research objectives and the questions of the study can be identified as follows,

Independent Variables

Promotion Regulatory Focus, Prevention Regulatory Focus, Attitudes, Subjective Norms, Perceived Behavior Control

Dependent Variable

Behavioral intention to continue internship

Research Objectives

General Research Objective

To identify the factors affecting to continue the internship program with specific reference to Accounting and Finance undergraduates in Sri Lanka

Specific Research Objectives

1. To identify the impact of promotion regulatory focus on the behavioral intention to continue the internship
2. To identify the impact of prevention regulatory focus on the behavioral intention to continue the internship
3. To identify the impact of attitudes on the behavioral intention to continue the internship
4. To identify the impact of subjective norms on the behavioral intention to continue the internship
5. To identify the impact of perceived behavior control on the behavioral intention to continue the internship
6. To identify the impact of promotion regulatory focus on the behavioral intention to continue the internship is mediated by attitudes
7. To identify the impact of prevention regulatory focus on the behavioral intention to continue the internship is mediated by attitudes

Research Questions

General Research Question

What are the factors affecting to continue the internship program with specific reference to Accounting and Finance undergraduates in Sri Lanka?

Specific Research Questions

1. What is the impact of promotion regulatory focus on the behavioral intention to continue the internship?
2. What is the impact of prevention regulatory focus on the behavioral intention to continue the internship?
3. What is the impact of attitudes on the behavioral intention to continue the internship?
4. What is the impact of subjective norms on the behavioral intention to continue the internship?
5. What is the impact of perceived behavior control on the behavioral intention to continue the internship?
6. Does the impact of promotion regulatory focus on the behavioral intention to continue the internship mediated by attitudes?
7. Does the impact of prevention regulatory focus on the behavioral intention to continue the internship mediated by attitudes?

2. LITERATURE REVIEW

The study which has been done to elaborate the students' perception of internship programs in accounting Madurapperuma et al. (n.d.-a) has revealed in their findings that accounting students have a moderate level of perception in all the categories, except future career, which showed a lower level of perception. In the end, their limitations predicted that the internship training is not able to give them the expected benefits regardless it provides good guidance and knowledge to select their career path. Interns generally felt that the required internship period was not sufficient for them to gain adequate experience and knowledge as desired. The study of Hafiz Rosli et al. (2017) explains that the internship programs enhance the students' soft skills as, social, and ethical responsibility skills, knowledge and accounting skills, and teamwork. To & Lung (2020) highlighted that an internship is an essential part of the degree program and it creates employability within the graduate and prepares them for future career development. Zehr & Korte (2020) concluded the study with the findings like; students gain a good learning about how a company works and how to work with others in a professional environment as a result of internship programs.

Above stated research articles highlighted the students' perception of internships, the expectation gap in internship programs, and factors influencing internship satisfaction and internship experience among students.

The studies of Anjum (2020); Gault et al. (2010); Oehlert, (1998) explained the importance of continuing internship programs while NSCI report stated that the majority of students are not continuing their internship programs. (21.5%-continue, 78.5%- not continue). So as the performance gap of the study, there is a gap in between the required qualification and skill development in future professions and continuing internship programs among the Accounting and Finance undergraduates. This study further carried out to analyze the factors affecting the behavioral intention to continue the internship programs.

Moreover, the study takes the theory of Planned Behavior as the theoretical underpinning. The theory of Planned Behavior is the most widely researched framework to predict the behavioral intentions of humans. In basic, this theory explains that an individual's behavior is governed by their intention, which is affected by attitudes, subjective norms, and perceived behavioral control. Attitudes reflect the individual's overall positive or negative performance about the behavior. Subjective norms refer to the perceived social pressure from other important parties like family, friends, and peers about their behavior while perceived behavior control refers to the individual's perception of their ability to act a behavior. The prior studies like Soliman (2021); Carmack & Heiss (2018); Mensah et al. (2021) and Feakes et al. (2019) used the TPB in their studies similarly the current study is further carried out to analyze the impact of the constructs of Theory of Planned Behavior on the behavioral intention to continue the internship program.

Regulatory focus theory can be known as one of the best theory to measure the true tone of the behavior of people. Higgins E. T., (1987); Higgins E. T., (1997). Regulatory focus theory is a psychological framework which suggests that individuals have two fundamental motivational orientations like promotion regulatory focus and prevention regulatory focus. The promotion focus is oriented toward positive outcomes while achieving advancements and growth towards their goals while they are always taking risks to achieve their goals. The prevention focus is oriented toward negative outcomes while concentrating on safety and responsibility when achieving goals. They always avoid risks to prevent from failure. M. Kim (2020); Andrews et al. (2014). Brockner & Higgins (2001); Lin & Yeh (2017); M. Kim (2020) used RFT in their studies similarly, the current study uses the Regulatory Focus Theory by mediating attitudes to measure the behavioral intention towards the internship continuation. By considering the theoretical gap in between how the Theory of Planned Behavior and Regulatory Focus Theory influence the intention to continue the internship program among Accounting and Finance undergraduates the study was further carried out to analyze the factors affecting the intention to continue

the internship program by taking a theoretical underpinning of the Theory of Planned Behavior and Regulatory Focus Theory.

3. METHODOLOGY

The prior studies of Hafiz Rosli et al. (2017); To & Lung (2020); Mensah et al. (2021) followed positivism philosophy similarly, the current study also follows positivism as research philosophy. The similar studies of Carmack & Heiss (2018); Mensah et al. (2021); Feakes et al. (2019) used a deductive approach in their studies. Accordingly, the current study also aims to be conducted under the deductive approach by considering constructs of the Theory of Planned Behavior and Regulatory Focus Theory on the intention to continue the internship program among Accounting and Finance undergraduates in Sri Lanka. The prior studies of Hafiz Rosli et al. (2017); To & Lung (2020); Carmack & Heiss (2018); Feakes et al. (2019) used the quantitative method which belongs to the mono method. Similarly, the current study uses a quantitative data collection method whereas the study belongs to the mono method. The research strategy helps the researcher in meeting the research objectives and answering the research questions in the study. Uma Sekaran, (2016). The studies of Hafiz Rosli et al. (2017); To & Lung (2020); Mensah et al. (2021); Feakes et al. (2019) used a survey questionnaire in their studies to gather relevant data. Accordingly, the current study uses a survey questionnaire to collect relevant data. Prior studies about internship intention and human behavior through the TPB Mensah et al. (2021); Feakes et al. (2019); Hafiz Rosli et al. (2017); To & Lung (2020) used cross-sectional strategy in their studies. Though the current study is examining similar areas, this is using cross cross-sectional strategy whereas data is collected at a single point in time.

3.1 Conceptual Framework

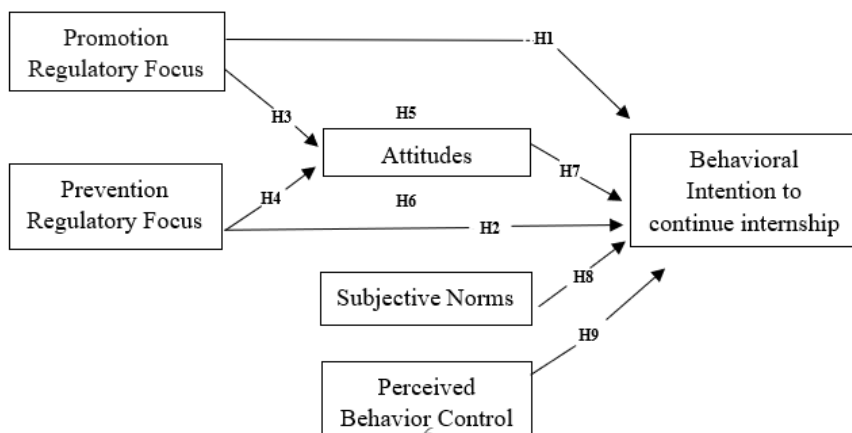


Figure 3.1: Conceptual Diagram

3.2 Hypothesis

H₁: Promotion regulatory focus impacts the behavioral intention to continue the internship.

H₂: Prevention regulatory focus impacts the behavioral intention to continue the internship.

H₃: Promotion regulatory focus impacts the attitudes.

H₄: Prevention regulatory focus impacts the attitudes.

H₅: The impact of promotion regulatory focus on the behavioral intention to continue the internship is mediated by attitudes.

H₆: The impact of prevention regulatory focus on the behavioral intention to continue the internship is mediated by attitudes.

H₇: Attitudes impact the behavioral intention to continue the internship.

H₈: Subjective norms impact the behavioral intention to continue the internship.

H₉: Perceived behavior control impact the behavioral intention to continue the internship.

3.3 Population and Study Sample

The unit of analysis of the study can be identified as the Accounting and Finance undergraduates in Sri Lanka. Similarly, the study population can be described as the Accounting and Finance undergraduates in Sri Lanka.

3.4 Sample Size and Selection of Sample

Similar studies like Hafiz Rosli et al. (2017) has taken 70 sample size, To & Lung (2020) 161 sample, Madurapperuma et al. (n.d.) 107 sample, and M. Kim (2020) 295 samples in their studies. Moreover, the current study is taking 100 Accounting and Finance undergraduates as the sample size. The purposive sample from the non-probability sampling technique is used as the sampling strategy of this study. The elements of the sample will be selected the ones who meet the following purposes,

- Accounting and Finance undergraduates
- Accounting and Finance undergraduates with the intention to continue the internship

3.5 Sources, Collection of Data and Data Analysis Strategies

For this study, the primary data collection method is used where the data is gathered from a standardized self-administrated questionnaire whereas the data is collected through the online distribution of the questionnaire. Smart PLS 4 software was used for the data processing and analysis of the study. A similar study of exploring the predictors of Chinese College Students' Entrepreneurial Intention also used Smart

PLS software to analyze the hypothesized relationship in their study. Mensah et al. (2021).

4. DATA ANALYSIS AND RESULTS

The current study analyses the factors affecting the behavioral intention to continue the internship program with specific reference to the Accounting and Finance undergraduates in Sri Lanka. The gathered data were analyzed under demographic characteristics, measurement model, and structural model assessment.

4.1 Demographic Characteristics

Table 4.1: Demographic statistics of the respondents

Item	Description	Frequency	%
Gender	Male	51	51%
	Female	49	49%
	Other	0	0%
Age	18-21 years	1	1%
	22-23 years	84	84%
	26-29 years	15	15%
University Type	Private	64	64%
	Government	36	36%
Year Of Study	Year 1	0	0%
	Year 2	2	2%
	Year 3	10	10%
	Year 4	88	88%
Degree	Accounting	25	25%
	Finance	19	19%
	Accounting & Finance	56	56%

Source: Survey Results

4.2 Measurement Model

The quality of each construct which was used in the study is assessed based on the measurement model. The measurement model consists of factor loadings, construct reliability, and construct validity.

4.2.1 Factor Loadings

The factor loading refers to that, a value above the 0.7 has a high correlation with the given construct or it measures the real aim that the construct needs to capture. According to the current results, all outer loadings are more than 0.7 whereas only three outer loadings indicate values less than 0.7 in Promotion Regulatory Focus (PmRF_5), Prevention Regulatory Focus (PrRF_5), and Attitudes (ATT_4). The

outer loading which is below 0.4 is recommended for removal. The outer loading which is in between 0.4 and 0.7 also recommended to be deleted but before removing it, the researcher needs to analyze the removing impact towards the composite reliability and AVE (Average Variance Extracted). If the removal of the item results in higher composite reliability and AVE (Average Variance Extracted), then the item can be deleted from the model Hair et al. (2014).

As per the analyzed data, the PmRF_5 (Promotion Regulatory Focus) = 0.123, PrRF_5 (Prevention Regulatory Focus) = -0.400 and AAT_4 (Attitudes) = 0.355 indicates low values than 0.7. As mentioned above the items whereas outer loadings represent values less than 0.4 subjected to be removed. With that concern, the items PmRF_5, PrRF_5, and AAT_5 can be removed from the model.

Table 4.2: Outer loadings after removal of items

	PmRF	PrRF	AAT	SN	PBC	BI
PmRF_1	0.806					
PmRF_2	0.845					
PmRF_3	0.827					
PmRF_4	0.773					
PrRF_1		0.755				
PrRF_2		0.805				
PrRF_3		0.860				
PrRF_4		0.856				
AAT_1			0.834			
AAT_2			0.899			
AAT_3			0.890			
SN_1				0.879		
SN_2				0.890		
SN_3				0.934		
PBC_1					0.807	
PBC_2					0.839	
PBC_3					0.900	
BI_1						0.903
BI_2						0.903
BI_3						0.891

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

4.2.2 Reliability and Consistency

Reliability and Consistency can be measured by using several measurements as Cronbach's Alpha value, Composite Reliability, Convergent Validity, and

Discriminant Validity. Cronbach's Alpha measures the internal consistency of a construct and it checks how closely each item is relating to the construct depending on the correlation among items. Cronbach's Alpha value is range from 0 to 1 and the values higher than 0.7 are considered to be reliable and consistent. Composite Reliability is another indicator which can be used to measure the internal consistency of an item and the composite reliability values more than 0.7 are considered to be reliable and consistent. Based on the Table 4 results, Cronbach's Alpha and Composite Reliability values indicate more than 0.7, which establishes the reliability and consistency of each construct.

Table 4.3: Reliability and Consistency of Constructs

Construct	Cronbach's alpha	Composite reliability (rho a)	Composite reliability (rho c)
PmRF	0.829	0.831	0.886
PrRF	0.837	0.849	0.891
AAT	0.846	0.847	0.907
SN	0.885	0.895	0.929
PBC	0.810	0.846	0.886
BI	0.882	0.885	0.927

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

4.2.3 Convergent Validity

Convergent validity measures, to which extent the different measurements of constructs are positively correlated with each other. The convergent validity can be evaluated by using the Average Variance Extracted (AVE) whereas the Average Variance Extracted values need to be more than 0.5 which explains more than 50% of the variance in each construct and such items meet the convergent validity criteria Fornell & Lacker, (1981). In the current study convergent validity is established because all the Average Variance Extracted (AVE) values are greater than 0.5.

Table 4.4: Convergent Validity of Constructs

Construct	Average variance extracted (AVE)
PmRF	0.661
PrRF	0.673
AAT	0.765
SN	0.813
PBC	0.722
BI	0.808

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

4.2.4 Discriminant Validity

Discriminant validity explains that all constructs in the developed model are distinct from one another. There are two common methods to measure the discriminant validity of the constructs namely, Fornell and Lacker Criterion and Heterotrait Monotrait Ratio (HTMT).

Fornell and Lacker Criterion

Fornell and Lacker Criterion consider the square root of the Average Variance Extracted (AVE) of each variable along with the correlation of that variable. Simply measures the square root of Average Variance Extracted (AVE) and that value should be greater than its correlation with all other constructs. As per the results, all constructs indicate a higher value than the other constructs. Accordingly, the current study established the discriminant validity under the Fornell and Lacker Criterion.

Table 4.5: Discriminant Validity under Fornell and Lacker Criterion

	PmRF	PrRF	AAT	SN	PBC	BI
PmRF	0.813					
PrRF	0.529	0.820				
AAT	0.608	0.462	0.875			
SN	0.483	0.417	0.492	0.902		
PBC	0.541	0.414	0.539	0.469	0.850	
BI	0.612	0.427	0.630	0.565	0.617	0.899

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

Heterotrait Monotrait Ratio

Heterotrait Monotrait Ratio (HTMT) is another method to establish the discriminant validity in a particular data series. Heterotrait Monotrait Ratio (HTMT) analyses the average of the correlation across constructs which indicates as heterotrait and the average of the correlation within a construct which indicates as monotrait. If the Heterotrait Monotrait Ratio (HTMT) falls below 0.9, then each construct in a model indicates good discriminant validity. Accordingly, in the current study, all the constructs established the discriminant validity under the Heterotrait Monotrait Ratio because all the values are less than 0.9.

Table 4.6: Discriminant Validity under Heterotrait Monotrait Ratio

	PmRF	PrRF	AAT	SN	PBC	BI
PmRF						
PrRF	0.628					
AAT	0.726	0.545				
SN	0.556	0.475	0.560			
PBC	0.656	0.501	0.650	0.554		
BI	0.711	0.488	0.727	0.632	0.713	

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

4.3 Structural Model Assessment

Under the structural model assessment, the path coefficients need to be further analyzed with regard to the relationships among constructs and their statistical significance. To analyze under the structural model, the p-value of the constructs needs to be compared with the alternative significance level and finally interpret whether the proposed hypotheses are accepted or rejected.

Table 4.7: Analysis of Mediating Impact – without mediator

Hypothesis/Effect	Path	Without mediator				Alpha	Decision
		Path Coefficient	T Statistic	P Value			
Direct Effect	PmR F -> BI	0.014	3.633	0.000	0.05	Supported	
Direct Effect	PrRF -> BI	0.496	0.494	0.311	0.05	Not Supported	
Direct Effect	SN -> BI	0.006	2.530	0.006	0.05	Supported	
Direct Effect	PBC - > BI	0.001	3.183	0.001	0.05	Supported	

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

Table 4.8: Analysis of Mediating Impact – with mediator

		With mediator					
Hypothesis/ Effect	Path	Path Coefficient	T Statistic	P Value	Alpha	Decision	
Direct Effect	PmRF -> AAT	0.000	5.700	0.000	0.05	Supported	
Direct Effect	PrRF -> AAT	0.026	1.939	0.026	0.05	Supported	
Direct Effect	AAT -> BI	0.006	2.488	0.006	0.05	Supported	
Indirect Effect	PmRF -> AAT -> BI		2.18	0.015	0.05	Supported	
Indirect Effect	PrRF -> AAT -> BI		1.741	0.041	0.05	Supported	

Note: PmRF = Promotion Regulatory Focus, PrRF = Prevention Regulatory Focus, AAT = Attitudes, SN= Subjective Norms, PCB = Perceived Behavior Control, BI = Behavioral Intention

Under the mediating effect, the direct impact (promotion regulatory focus impacts the behavioral intention to continue the internship) and the indirect impact (the impact of promotion regulatory focus on the behavioral intention to continue the internship is mediated by attitudes) are significant at the 95% confidence level hence both H1 and H5 are accepted. Furthermore, to compute the strength of the mediation the Variance Accounted For (VAF) value was manually calculated for the study. Accordingly, the VAF value less than 20% is considered as there is no mediation, and a value between 20% to 80% is considered as partial mediation while a value more than 80% is considered as full mediation. Hair et al. (2014) Accordingly, the VAF value results in 38% which indicates the partial mediation.

In prevention regulatory focus, the direct effect (prevention regulatory focus impacts the behavioral intention to continue the internship) is not significant (H2 get rejected). Thus, there is no impact of prevention regulatory focus on the behavioral intention to continue the internship. The indirect effect, (the impact of prevention regulatory focus on the behavioral intention to continue the internship through attitude) get significant at 95% confidence level hence H6 is accepted. Accordingly, the VAF value resulted in 100% which indicates a full mediation. So, the impact of Prevention Regulatory Focus on the behavioral intention to continue the internship is fully mediated by the attitudes. Moreover, the direct effects of (the impact of attitudes, subjective norms, and perceived behavior control on the behavioral intention to continue the internship) get significant at 95% confidence level. (H7, H8 and H9 get accepted).

Table 4.9: Analysis of R Square

	R-square
AAT	0.397
BI	0.574

Note: AAT=Attitudes, BI= Behavioral Intention

The above results examine the model fitness where how well the independent variable explains the variability in the dependent variable. The current study is getting two r square values because it considers the mediating impact. Accordingly, regulatory focus measures (Promotion Regulatory Focus and Prevention Regulatory Focus) are 40% explains the attitude while all other constructs (regulatory focus measures, attitudes, subjective norms, and perceived behavior control) explain 57% of behavioral intention on continuing the internship. Both R-square values fall between 40% to 60% which indicates a mediate relationship in between the independent and dependent variables. This can happen because the measurement scales for the constructs were taken from prior research articles done in various regions Rogelberg et al. (2001); Mensah et al. (2021); Y. Kim & Han (2010). The measurement scales used in European countries may not 100% match with the Asian context, it can lead to a mediate effect of the r square value.

4.4 Discussion of Findings

According to the results derived in the study, the direct impact of promotion regulatory focus on behavioral intention to continue internship gets accepted. The study of Pereira & Coelho (2020) about the regulatory focus on money attitudes and financial literacy among young adults, the positive impact of promotion regulatory focus on the money attitudes and financial literacy among young adults, and suggests that the motivation of individuals plays a role in developing knowledge about financial issues. In another study of Song & Qu (2019) about how does regulatory focus impacts perceived value and consumption emotions, the results predict that the promotion focus is related to customers' value perception. Hence the current study shows a positive impact on behavioral intention on internship continuation, the following programs can be implemented under the university level.

- Career advancement workshop- Conduct with the help of a guest speaker by highlighting the how importance of continuing internships will lead to future career opportunities and skill developments, and experience sharing.
- Recognition and Incentive Programs – Programs to offer certificates, badges, prizes and scholarships to the ones who continue internships and become “Top Performers” or “Most Innovative Interns”.
- Mentorship Programs with Alumni – Alumni will share their success stories and provide networking opportunities with the industry.

- Personalized Career Coaching – By allocating one to one career coaching for students to set their personal ambitions, future career goals and provide insights how internships will support on it.
- Internship Showcase Events – Events to present the experience and skills students are gathered through internships. Can arranged as an exhibition or competition.

Moreover, the results predict that there is no impact of prevention regulatory focus on the behavioral intention to continue internship. In Pereira & Coelho (2020) study, it stated that there is no impact of prevention focus on financial literacy while prevention focus is related to all the dimensions of money attitude among young adults. Thus, the Song & Qu (2019) study revealed that the prevention focus is not related to customers' value perception. Moreover, the results revealed that there is no impact of prevention regulatory focus on the intention to continue the internship, the following can be identified as the reasons for it:

- Mismatch of Motivational Contexts – PrRF aligned with avoiding the risk. The decision to continue the internship is growth-oriented and aligns with growth development, learning opportunities and self-improvement which are PmRF-driven factors. Prevention students are not motivated by this.
- Ambiguity in Internship Experience – Fear of taking risks and not interested in rewards and compliments.
- High Variability among Internships – This depends on factors like industry differentiations, high responsibilities, and workplace cultures. PrRF students are not interested with these factors.
- Intervention of Psychological Factors – Self-efficacy, motivation and personal interest have a deep influence on internship continuation and PrRF students have a negative interest on these factors.

Considering the mediating role of attitude on the impact of the promotion regulatory focus and the prevention regulatory focus on the behavioral intention to continue the internship, the impact of the promotion regulatory focus on the behavioral intention to continue the internship is partially mediate by attitude while the impact of prevention regulatory focus on the behavioral intention to continue internship is fully mediate by attitudes. The studies of Mensah et al. (2021) and Carmack & Heiss (2018) showed a positive impact of the predictors of the theory of planned behavior on the dependent variables of the studies. Similarly, the current study resulted in the positive impact of attitudes, subjective norms and perceived behavior control on the behavioral intention to continue the internship.

5. CONCLUSION

The current study addressed the factors impacting to the behavioral intention to continue the internship and the results predicted that the promotion regulatory focus, attitudes, subjective norms, and perceived behavior control positively impact on the internship continuation while there is no impact on prevention regulatory focus on

the behavioral intention to continue internship. When considering the mediating impact, attitude partially mediates the impact of promotion regulatory focus on the behavioral intention to continue internship while attitude fully mediates the impact of prevention regulatory focus on the behavioral intention to continue internship. Further, future research can be done to analyze the impact of internship quality on long-term career development under cross-country comparison and the digital internships and remote work, an comparative study can be done by comparing the behavioral intentions of Accounting and Finance students with the students from other disciplines (engineering, marketing, IT) to understand whether different fields show varied motivations or obstacles in continuing internship programs, the influence of socioeconomic and institutional support by investigating the socioeconomic backgrounds of students and the role of institutional support on their behavioral intention to continue internships further by providing insights into the inequalities or challenges faced by underrepresented groups.

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The Role of Artificial Intelligence In Accounting Career: Analysing Essential Skills For Modern Accountants

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ABSTRACT

This research explores how artificial intelligence (AI) is impacting the accounting profession, specifically in terms of the essential skills that modern accountants need. The study focuses on the growing role of AI in automating routine tasks, such as data entry and reconciliations, and how this shift is influencing the responsibilities of accountants. The main research questions on understanding which skills are necessary for accountants to thrive in this AI-driven environment. The study also examines the current literature to identify gaps in how AI-related skills are addressed in the field of accounting. The research employed a qualitative methodology, gathering data through interviews with accountants who are currently working with AI tools in their daily tasks. The participants represented a range of roles and experiences within the accounting profession. The data was collected through structured interviews, which allowed for in-depth exploration of the participants' experiences and insights. The research design aimed to capture the real world impact of AI on accountants' skills and practices. The findings reveal that AI is transforming accounting by automating routine tasks and enabling accountants to focus more on strategic decision making and financial analysis. Key skills identified include data analytics, critical thinking, and the ability to continuously learn and adapt to new technologies. The study also highlights ethical concerns, such as data privacy and job security, that must be addressed as AI becomes more integrated into the accounting field. These findings were analyzed using thematic analysis, providing a clear understanding of the emerging trends in AI's impact on accounting. This study contributes to the growing body of research on AI in accounting by identifying the critical skills accountants need to succeed in an evolving landscape. It emphasizes the importance of adapting education and training to equip future accountants with the tools they need. The research also calls for further exploration into the ethical challenges posed by AI in the accounting profession.

Keywords: Accounting, Artificial Intelligence, Career Skills, Data Analytics, Education, Ethics, Technology Adaptation.

1. INTRODUCTION

The field of accounting is undergoing a transformative shift with the integration of Artificial Intelligence (AI), reshaping traditional roles and practices. This shift enables accountants to go beyond repetitive data management tasks, focusing instead on strategic decision-making and in-depth data analysis. The rapid advancement of AI technologies, including machine learning, robotic process automation, and natural language processing, has led to increased efficiency and accuracy in accounting, allowing for real-time reporting and enhanced fraud detection.

However, this evolution brings challenges. Many accounting professionals face a gap in the necessary skills, as traditional education emphasizes technical accounting over AI competencies like data analysis and digital literacy. The demand for new skills requires a rethinking of educational frameworks to prepare accountants who are not only proficient in AI tools but also mindful of ethical concerns, such as data privacy and job displacement.

This study seeks to explore AI's impact on the accounting profession, highlight essential skills for modern accountants, and provide recommendations to align accounting education with the demands of a technology-driven environment.

2. LITERATURE REVIEW

2.1 Analyzing the Impact of AI on Traditional Accounting Practices

The integration of AI technologies such as machine learning (ML) and robotic process automation (RPA) has significantly transformed traditional accounting. Smith (2021) emphasizes that routine tasks such as data entry, reconciliations, and report generation are now automated, which greatly enhances accuracy and efficiency. AI's real-time processing abilities enable accountants to generate timely financial reports, allowing businesses to make quicker decisions. Leitner-Hanetseder et al. (2021) point out that accountants are now more involved in strategic decision-making processes rather than repetitive manual tasks, further shifting the role of accountants from mere number crunchers to strategic advisors.

Davenport & Kirby (2016) also suggest that AI has improved the ability of accountants to detect and prevent financial fraud through the use of predictive analytics. AI tools can analyze large volumes of financial transactions, identifying discrepancies that could go unnoticed by manual checks, further enhancing the reliability of financial audits.

2.2 Identifying Essential Skills for Modern Accountants to Use AI Technologies Effectively

As AI becomes more integrated into accounting, there is a growing need for accountants to develop new skills. Shaffer et al. (2020) highlight the importance of digital literacy and proficiency with AI tools. The ability to analyze data, interpret AI-generated insights, and make informed decisions is becoming increasingly critical in an AI-driven environment.

Baiod & Hussain (2024) emphasize that accountants must now be proficient in data analytics, which allows them to extract meaningful insights from AI-processed data. Similarly, Gambhir & Bhattacharjee (2021) stress the need for continuous learning and adaptability. With AI technologies constantly evolving, accountants need to stay updated on the latest trends to remain relevant in their roles. These new competencies will help accountants maximize the benefits of AI while also ensuring they can provide higher-value services to their clients.

2.3 Evaluating the Challenges and Ethical Considerations Associated with AI Adoption in Accounting

The integration of AI into accounting presents both opportunities and challenges. Damerji & Salimi (2021) identify data privacy and security as major concerns, particularly as AI systems process vast amounts of sensitive financial information. Without proper safeguards, the use of AI can lead to breaches or misuse of data. Shaffer et al. (2020) further stress the importance of transparency in AI decisionmaking processes, pointing out that accountants need to ensure that AI systems maintain accountability to avoid unintended biases.

Another critical challenge is job displacement. Brynjolfsson & McAfee (2014) argue that while AI can automate routine tasks, there is concern about the loss of traditional accounting roles. However, they also note that AI creates opportunities for accountants to focus on higher-level strategic activities. Siau & Wang (2019) suggest that AI should be seen as a tool that enhances human capabilities rather than a replacement, allowing accountants to concentrate on complex problem-solving and advisory services.

2.4 Proposing Recommendations for Updating Accounting Education and Training Programs

To prepare future accountants for the AI-driven landscape, education and training programs must be updated. Carneiro et al. (2017) argue that accounting curricula should incorporate AI and data analytics training to ensure that students are well-equipped for the technological demands of the profession. Leitner-Hanetseder et al.

(2021) suggest that hands-on experience with AI tools, along with theoretical knowledge, will be crucial for modern accountants.

In addition to technical skills, Damerji & Salimi (2021) emphasize the need for ethical training to address the challenges that AI presents, such as data privacy and algorithmic transparency. By focusing on both technical proficiency and ethical considerations, accounting education can better prepare future accountants to navigate the complexities of AI integration in the workplace.

3. METHODOLOGY

This study adopts a qualitative approach to explore how AI is impacting accounting. I conducted structured interviews with 10 accounting professionals from top accounting firms in Sri Lanka who have experience with AI tools. These professionals offered insights into their experiences with AI, the skills they believe are essential in this new environment, and the challenges they face in adapting to technological changes.

The data was analyzed using thematic analysis, a method that enabled us to identify and interpret key themes from the participants' responses. Themes focused on AI's impact on traditional accounting practices, essential skills required for AI integration, and the ethical and practical challenges of AI in accounting.

4. ANALYSIS

This analysis identifies four key themes that illustrate how artificial intelligence (AI) is reshaping the accounting profession, based on insights gathered from industry professionals. Thematic analysis allowed us to categorize participants' responses, highlighting the major shifts in accounting tasks, required skills, challenges, and educational needs due to AI integration. Each theme connects directly to specific research questions, presenting a structured response to the study's central inquiries.

Theme 1: AI is Transforming Traditional Accounting Practices

AI is automating routine accounting tasks such as data entry and reconciliations, significantly improving accuracy and enabling real-time financial reporting. This automation allows accountants to focus more on strategic responsibilities, including financial analysis and decision-making. By automating repetitive tasks, AI is freeing up accountants to engage in more complex, value-added activities that support organizational goals.

Theme 2: Essential Skills for Accountants in an AI-Driven Environment

As AI becomes integral to accounting, new skills are essential for success. These include proficiency in

AI tools, data analytics, critical thinking, and adaptability. Additionally, participants emphasized the importance of continuous learning, as AI and related technologies continue to evolve. This shift in required competencies marks a substantial change from traditional accounting skills, highlighting the need for ongoing professional development.

Theme 3: Challenges and Ethical Considerations in AI Integration

The integration of AI into accounting introduces several challenges, notably data privacy concerns, job displacement risks, and the need for data accuracy. Ethical considerations are central to this theme, as accountants must navigate issues of transparency and accountability in AI-driven processes. Participants highlighted the importance of responsible AI adoption to ensure that financial decision-making remains both ethical and accurate.

Theme 4: Adapting Accounting Education for an AI-Driven Future

As AI reshapes the skills required in accounting, educational programs must evolve accordingly. Participants indicated that accounting curricula should include AI, data analytics, and ethical training to equip future accountants with the competencies they need for an AI-driven career. By preparing students to handle both the technical and ethical dimensions of AI, educational programs can ensure that new accountants are ready to meet the demands of a modern workplace.

Research Questions and Their Connection to Themes

The study's research questions are closely connected to these themes, providing a coherent structure for addressing AI's impact on accounting:

1. How is AI transforming traditional accounting practices?

This question is addressed by the theme AI is Transforming Traditional Accounting Practices, which shows how AI automates repetitive tasks, enabling accountants to focus on higher-value work.

2. What essential skills must modern accountants develop to effectively leverage AI technologies?

The theme Essential Skills for Accountants in an AI-Driven Environment responds to this question, identifying the critical technical, analytical, and adaptive skills required to work with AI tools and systems.

3. What challenges and ethical considerations arise from integrating AI in accounting?

The theme Challenges and Ethical Considerations in AI Integration explores the ethical challenges of AI, including data privacy and job displacement, and emphasizes the importance of responsible AI use.

4. How can accounting education and training programs be adapted to prepare accountants for an AI-driven environment?

This question is answered by the theme Adapting Accounting Education for an AI-Driven Future, which underscores the need for AI and data analytics to be part of accounting curricula, preparing future professionals to navigate both technological and ethical challenges in the field.

This thematic structure provides a comprehensive overview of AI's impact on accounting, highlighting the shifts in practices, skill requirements, challenges, and educational needs that define this evolving landscape.

5. FINDINGS AND DISCUSSION

This study explores how artificial intelligence (AI) is reshaping accounting practices, influencing the skills accountants need, introducing new challenges, and highlighting the need for educational updates. Drawing on insights from industry professionals, the findings are organized into four key themes, each reflecting how AI is transforming the accounting landscape.

5.1 Transformation of Traditional Accounting Practices

AI is revolutionizing routine accounting tasks, such as data entry and reconciliations, by automating them, which reduces human error and increases efficiency. Participants described how automation has streamlined their workflows, with one stating, "AI has significantly streamlined many of the accounting tasks I perform." This shift allows accountants to step into more strategic roles, contributing to financial analysis and decision-making, rather than being tied to repetitive manual tasks.

Moreover, AI's real-time financial reporting enables accountants to provide timely insights, facilitating quick decision-making when financial landscapes change. These advancements illustrate how AI is enabling accountants to add greater strategic value to their organizations.

5.2 Essential Skills for Accountants in an AI-Driven Environment

As AI takes on routine tasks, accountants are now expected to have new skills that help them work with advanced technologies. The professionals in this study highlighted key skills, including,

- Data Analytics - Accountants need to be proficient in analyzing data, as they increasingly rely on AI to process large datasets and interpret complex financial information to draw meaningful insights.
- Digital Literacy - Accountants should feel comfortable with AI tools and advanced software, enabling them to navigate and leverage these technologies effectively.
- Adaptability and Lifelong Learning - In a field evolving as quickly as AI, adaptability is crucial. Many participants emphasized the importance of staying updated through continuous education.

As one participant noted, "I've taken data analytics and AI courses to ensure I'm equipped for the changes AI is bringing to accounting."

- Strategic Thinking - With routine tasks covered by AI, accountants are now in a position to interpret AI outputs and align them with organizational objectives, making them strategic advisors rather than just data processors.

These skills reflect the broader shift in accounting toward a more technology-driven profession, where accountants not only need technical expertise but also the ability to apply AI-driven insights effectively.

5.3 Challenges and Ethical Considerations in AI Integration

While AI brings efficiency and accuracy, its adoption in accounting isn't without challenges, especially concerning data privacy, job displacement, and the need for clean, accurate data. Data privacy emerged as a major concern, with one participant emphasizing, "Data privacy is a top concern, especially with the increasing scrutiny of how financial data is handled by AI systems." Ensuring strong data security measures is essential as AI handles sensitive financial information.

Job displacement was another point of concern, with participants acknowledging the fear that AI could replace certain roles. However, many felt that AI would complement rather than replace human roles by automating routine tasks and allowing accountants to focus on more complex, value-added responsibilities. As one participant explained, "AI complements human roles by automating routine tasks, allowing accountants to focus on strategic work." This theme underscores the importance of viewing AI as a tool that empowers rather than replaces professionals in the field.

5.4 Adapting Accounting Education for an AI-Driven Future

As AI becomes central to accounting, education programs need to evolve to prepare future accountants for this shift. Participants highlighted the importance of incorporating AI-focused courses and hands-on experience with AI tools into accounting curricula. One participant suggested, "Accounting education should integrate AI and technology-focused courses, with hands-on experience using AI tools."

In addition to technical skills, participants stressed the importance of ethical training to help future accountants navigate the complex issues AI introduces, such as data privacy and regulatory compliance.

Another participant noted, "Students need to understand not just how to use AI tools, but also the ethical and legal responsibilities that come with handling sensitive financial data." This emphasis on ethics aligns with the changing nature of the profession, where accountants are not only expected to use AI effectively but also to approach its use responsibly.

5.5 Summary of Findings

The study provides a clear view of how AI is reshaping accounting,

- **Transforming Traditional Practices:** AI is automating routine tasks, improving efficiency and accuracy, and enabling accountants to focus on strategic work, such as financial analysis and decision-making.
- **Essential Skills in an AI-Driven Environment:** Accountants need new technical and analytical skills to work effectively with AI, including data analytics, digital literacy, adaptability, and strategic thinking. Continuous learning is critical to keep up with these evolving demands.
- **Challenges and Ethical Considerations:** AI brings challenges related to data privacy, job security, and data accuracy. Addressing these ethical concerns is crucial for the responsible use of AI in accounting.
- **Educational Adaptations:** Accounting education must evolve by incorporating AI and data analytics into curricula, along with ethical training, to prepare students for the complexities of AI-driven accounting.

5.6 Practical Implications

- **For Accountants -** Developing AI-related skills, including data analytics, critical thinking, and adaptability, will help accountants stay competitive. Continuous learning is essential to stay relevant as AI continues to evolve.

- For Educators - Accounting programs should introduce AI, data analytics, and ethics into the curriculum to prepare students for an AI-centric profession.
- For Policymakers - Policymakers should consider implementing data privacy laws and supporting upskilling initiatives to help accountants manage the changes brought by AI.

In conclusion, this study highlights that AI is not only reshaping accounting tasks but also redefining the skills accountants need, challenging educators and policymakers to adapt. By addressing these themes, the study provides valuable insights for ensuring that accountants are well-prepared to navigate the challenges and opportunities of an AI-driven future.

Table 5.1: Summary Table

Theme	Key Insights	Supporting Quotes from Participant
How AI is Transforming Traditional Accounting Practices	AI automates routine tasks, increases efficiency, and allows accountants to focus on strategic roles.	“Processes that used to be manual and time-consuming, such as data entry and report generation, are now much faster and more accurate.” - Participant 1
	AI improves accuracy and enables real-time financial reporting.	“Tasks like transaction categorization, which used to take hours, are now handled much faster.” - Participant 6
Essential Skills for Accountants in an AI-Driven Environment	Data analytics, critical thinking, and adaptability are essential for accountants.	“Critical thinking is essential for evaluating AI outputs and ensuring accuracy and compliance.” - Participant 1

	Continuous learning is key to staying relevant.	“I’ve taken courses in data analytics and AI to ensure I’m equipped for the changes AI is bringing to accounting.” - Participant 7
Challenges and Ethical Considerations in AI Integration	Data privacy and accuracy are major concerns.	“Data privacy is a top concern, especially with sensitive financial data being handled by AI systems.” - Participant 6
	Job displacement due to automation is a worry	“AI can replace some tasks, but it also opens up opportunities for accountants to focus on more strategic work.” - Participant 3
Adapting Accounting Education for an AI-Driven Future	Accounting education must evolve to include AI and data analytics training.	“Accounting education should integrate AI and technology-focused curricula.” - Participant 1
	Ethical considerations need to be incorporated into the curriculum.	“Students need to understand not just how to use AI tools, but also the ethical and legal responsibilities that come with handling sensitive financial data.” - Participant 9

6 CONCLUSION AND RECOMMENDATIONS

This study reveals that AI is reshaping the accounting profession by automating routine tasks and shifting the focus toward strategic decision-making. To remain competitive, accountants must develop skills in data analytics, digital literacy, and strategic thinking. Furthermore, addressing ethical concerns like data privacy and job displacement is critical to responsible AI adoption.

6.1 Recommending the following actions,

Incorporate AI and Data Analytics in Accounting Education: Educational institutions should update curricula to include AI-related courses and practical training, ensuring future accountants are equipped for an AI-driven industry.

Promote Lifelong Learning - Organizations should encourage accountants to pursue ongoing education in AI and data analytics, enabling them to stay competitive.

Develop Ethical Guidelines for AI in Accounting: Accounting bodies and firms should establish clear guidelines around AI usage, focusing on transparency, accountability, and data privacy.

In conclusion, AI offers immense potential for the accounting profession, but realizing this potential requires a concerted effort to develop the necessary skills, ethical standards, and educational frameworks. By embracing these changes, the accounting profession can evolve alongside AI, securing its relevance and value in a rapidly transforming business landscape.

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Directed or Decided? Analyzing the Factors Influencing Asset Diversification Intentions Among Sri Lankan Investors

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ABSTRACT

Asset diversification is a key investment strategy that helps mitigate risk by spreading investments across various assets, reducing exposure to market volatility. While widely recognized for enhancing financial stability, diversification decisions are often shaped by both personal and external factors. This study is focused on the factors influencing asset diversification intentions among investors in the Colombo Stock Exchange, with a particular focus on how external guidance and personal decision-making interact. While most of the investment literature emphasizes the role of financial knowledge and risk tolerance on diversification, few studies have explored the specific drivers behind investors' intentions to diversify their portfolios. Through a structured online survey distributed to 380 investors on the Colombo Stock Exchange, this research examines four key factors: social influence, financial knowledge, financial self-efficacy, and risk-taking propensity. The findings reveal that social influence stands as the most powerful determinant of asset diversification intentions, surpassing even financial knowledge, suggesting that investors are more likely to base their diversification strategies on the advice and behaviors of others—be it peers, family, or the broader social environment—rather than their own expertise or financial confidence. In contrast, financial self-efficacy showed a negative relationship, indicating that investors with higher self-confidence in their financial decisions are less likely to diversify their portfolios. This study highlights the critical need for investor education programs that not only enhance financial knowledge but also address the powerful role of social influence in shaping investment decisions. The findings are crucial not only for investment advisors and policymakers but also for investment advertisers, as they offer valuable insights into the factors that drive diversification intentions and can inform more effective advertising strategies targeting potential investors. Ultimately, the research provides actionable insights for improving portfolio management, risk mitigation strategies, and investment-related communication.

Keywords – Asset diversification intention, Colombo stock exchange, Modern portfolio theory, Social influence.

1. BACKGROUND OF THE STUDY

Investment decisions are often viewed as rational, knowledge-driven processes where individuals evaluate risks and returns to optimize their portfolios. However, in practice, the intention to diversify assets is not always guided by financial expertise. Instead, external influences, such as social networks and prevailing market narratives, often play a decisive role. These external factors can sometimes lead to suboptimal financial decisions, as individuals may prioritize social validation over informed financial analysis. This is particularly evident in emerging markets like Sri Lanka, where retail investors frequently rely on informal advice and peer behavior rather than their financial education. The existing literature highlights that individuals often look to their peers for cues in their investment choices, suggesting that social dynamics significantly influence decision-making (Bikhchandani & Sharma, 2000; Chari & Kehoe, 2004). This reliance on social influence is especially pronounced in environments where formal financial education is limited, and investors lack access to professional advice.

Although portfolio diversification is a cornerstone of modern portfolio theory, existing research has largely focused on broader investment intentions, with limited attention paid to the specific drivers of diversification. While diversification is touted as an essential strategy to manage risk and optimize returns, it is often not fully embraced by investors who are influenced by non-financial factors, such as peer behavior. Addressing this gap, this study explores how social influence, financial knowledge, financial self-efficacy, and risk-taking propensity shape asset diversification intentions. The article emphasizes that investors are often concerned with their relative financial standing compared to their peers, indicating that social comparisons can drive investment behaviour (Banerjee, 1992; Bikhchandani et al., 1992). In these contexts, investors may base their investment choices not on rational financial analysis, but on the perceived success or failure of their peers' strategies. By emphasizing diversification intentions—distinct from general investment behaviour—this research aims to provide a detailed understanding of what motivates investors to allocate resources across varied assets. The findings suggest that the decisions made by peers can create both social learning and social utility effects, which are particularly relevant in environments with low financial literacy (Foster & Rosenzweig, 1995; Conley & Udry, 2010). In such contexts, retail investors may heavily rely on informal advice and peer behaviour when making diversification decisions. This social influence can result in herd behaviour, where individuals follow the crowd without fully understanding the implications of their choices.

Sri Lanka's unique socio-economic landscape, characterized by close-knit communities and relatively low levels of financial literacy, presents an ideal context

to investigate the interplay of personal and social factors in investment decisions. The combination of strong social networks and low financial literacy often leads to decisions driven more by social conformity than by financial knowledge. The article discusses the complexities of identifying the causal effects of peer behavior on individual choices, underscoring the importance of understanding whether investors are primarily influenced by external factors or if they make decisions based on independent judgment (Manski, 1993). This understanding is essential for identifying effective interventions to encourage independent, informed decision-making. This understanding is crucial for policymakers, advisors, and investment advertisers aiming to foster better financial outcomes and enhance the adoption of diversified investment strategies. Furthermore, it highlights the need for targeted financial education campaigns that consider social dynamics, rather than only focusing on technical financial knowledge.

In conclusion, this study seeks to illuminate the specific drivers of asset diversification intentions in the context of Sri Lanka, contributing to a broader understanding of investment behavior in emerging markets. By investigating the role of social influence, the study provides critical insights into the complex decision-making processes that influence retail investors. By examining the roles of social influence, financial knowledge, self-efficacy, and risk-taking propensity, the research aims to provide valuable insights that can inform financial education initiatives and policy interventions. The findings are intended to help policymakers design interventions that address both the informational gaps and the social pressures that shape investment decisions, fostering more informed and diversified investment behaviors among Sri Lanka's retail investors

2. LITERATURE REVIEW

2.1 Asset diversification intentions

Ever since Markowitz's introduction on investment portfolio diversification in 1952, the concept has remained a cornerstone of modern portfolio theory, emphasizing the reduction of risk through allocating investments across uncorrelated assets. Markowitz's framework underscores diversification as a rational strategy to optimize risk-adjusted returns, with risk tolerance identified as a critical determinant in diversification decisions (Grable, 2000; Hanna, Gutter & Fan, 2001). While much of the existing literature explores investment intentions in general, there is a growing need to focus specifically on asset diversification intentions to address the unique factors that drive this decision-making process.

Asset diversification intentions are shaped not only by individual financial knowledge and risk preferences but also by external factors such as social influence and the confidence investors place in their own decision-making abilities (Jamal &

Rizwan, 2022; Abreu & Mendes, 2005). In emerging markets like Sri Lanka, where retail investors often operate within close-knit communities, understanding the interplay of these factors becomes particularly important. This research, therefore, shifts the focus from broad investment intentions to the more nuanced area of diversification intentions, exploring how factors like social influence, financial knowledge, financial self-efficacy, and risk-taking propensity contribute to this critical aspect of investment behaviour.

2.2 Determinants of asset diversification intentions

Since Markowitz's (1952) work on portfolio diversification, the concept has been recognized as a critical strategy for reducing risk by allocating investments across uncorrelated assets. Diversification is not merely a matter of spreading investments; it requires informed decision-making that balances risk and return effectively. While much of the existing literature addresses broader investment intentions and studies investment as a whole, there is a distinct gap in understanding the factors that specifically influence asset diversification intentions. This study addresses this gap by focusing on four key variables: financial self-efficacy, financial knowledge, social influence, and risk-taking propensity.

2.2.1 Financial Self-Efficacy

Financial self-efficacy refers to an individual's confidence in their ability to manage and control their financial matters (Bandura, 1977). Rooted in Bandura's Social Cognitive Theory, financial self-efficacy has been shown to play a significant role in shaping financial decisions (Chandra & Shadel, 2007). Investors with higher financial self-efficacy are more likely to approach financial tasks as challenges to master, influencing their ability to navigate complex investment decisions (Williams & Williams, 2010). However, this self-confidence can also reduce diversification intentions, as individuals may rely on their perceived skills and prefer concentrated investments that they believe they can manage effectively.

H₁: There is a significant influence of investor's financial self-efficacy on asset diversification intentions.

2.2.2 Financial Knowledge

Financial knowledge encompasses the understanding of financial concepts, products, and strategies necessary for effective investment decision-making (Abreu & Mendes, 2005). Investors with greater financial knowledge are better equipped to evaluate risk and return trade-offs, enabling them to align their investment strategies with their goals (Grable, 2000). By enhancing their ability to analyze investment options, financial knowledge contributes to the likelihood of diversifying portfolios. As noted by Abreu and Mendes (2005), investors with higher financial knowledge are more

confident in evaluating and managing risks, which is crucial for making informed diversification decisions.

H₂: There is a significant influence of investor's financial knowledge on asset diversification intentions.

2.2.3 Social Influence

Social influence refers to the impact of social networks, peers, and societal norms on individual decision-making (Jamal & Rizwan, 2022). In the context of investment decisions, social influence is a critical factor shaping diversification intentions. Investors are often guided by advice or behaviours from their social circle, such as family, friends, or colleagues, rather than relying solely on their financial knowledge. Exposure to risk-averse or risk-seeking peers can significantly alter an investor's approach to diversification, either encouraging broader asset allocation or reinforcing concentrated investments (Jamal & Rizwan, 2022). The strong role of social influence highlights the importance of understanding how external factors drive diversification decisions.

H₃: There is a significant influence of social influence on asset diversification intentions.

2.2.4 Risk-Taking Propensity

Risk-taking propensity reflects an individual's willingness to engage in decisions involving uncertainty and potential loss (Akhtar & Das, 2017). Investors with higher risk-taking propensity are more likely to accept volatility and allocate a greater proportion of their portfolios to higher-risk assets. Conversely, those with lower risk-taking propensity may prefer safer, more predictable investments, leading to more diversified portfolios aimed at reducing overall risk exposure (Akhtar & Das, 2017). Understanding risk-taking propensity is essential for determining the extent to which investors are willing to diversify their portfolios.

H₄: There is a significant influence of risk-taking propensity on asset diversification intentions.

By examining these factors, this study contributes to a deeper understanding of the drivers behind asset diversification intentions. Unlike general investment decisions, diversification intentions involve complex trade-offs influenced by cognitive, social, and behavioural factors. This research provides actionable insights for investment advisors, policymakers, and advertisers seeking to encourage better portfolio diversification strategies among investors.

2.3 Literature gap and associated theories

The existing literature on investment behaviour is anchored by several foundational theories, including Harry Markowitz's Modern Portfolio Theory (1952) and Ajzen's Theory of Planned Behaviour (1991). Markowitz's theory emphasizes the importance of diversification across asset classes to minimize risk while maximizing returns, operating under the assumption of rational, risk-averse investors. This framework, however, often neglects the influence of social dynamics on investment decisions, particularly how peer behaviors can lead to herding and deviations from optimal portfolio choices. Complementing this, Ajzen's TPB provides insight into how attitudes, social norms, and perceived behavioral control shape individual decision-making processes. It highlights the role of social pressures in influencing risk tolerance and investment behavior, yet it does not fully account for the direct impact of peer actions on these decisions.

Additionally, this article incorporates the concept of social utility, which posits that an individual's utility from an asset is affected by the possession of that asset by peers, suggesting that social factors can significantly influence financial decisions beyond traditional economic theories. Despite these theoretical advancements, a notable gap remains in the literature regarding the interplay between social influences and established investment frameworks. Specifically, there is insufficient empirical research exploring how peer effects can alter risk perceptions and investment strategies, particularly in high-stakes environments (Bursztyn et al., 2014). This gap underscores the need for further investigation into the social dimensions of investment behavior, integrating insights from both portfolio theory and behavioral economics to better understand the complexities of decision-making in financial contexts.

3. METHODOLOGY

3.1 Research design

This research is grounded in a positivist framework, which prioritizes empirical evidence and observable data to analyze investor behaviour within the Colombo Stock Exchange. Adopting a quantitative methodology, the study is informed by Modern Portfolio Theory, leading to the formulation of hypotheses that investigate the interplay between various factors, including financial self-efficacy, knowledge, social influence, risk-taking propensity, and intentions related to asset diversification.

To gather data, a structured survey was conducted with 380 investors from the CSE. The survey utilized a Likert scale to standardize responses, which facilitated comprehensive statistical analysis and aligned with previous methodologies by (Abreu & Mendes, 2005). A mono-method quantitative approach was employed, incorporating techniques such as correlation analysis and regression to evaluate the

hypotheses and clarify the relationships among the identified variables (Bursztyn et al., 2014).

The research is cross-sectional, capturing data at a single point in time to provide insights into investor characteristics and intentions. The focus is on individual investors with diversified portfolios, enabling a detailed examination of factors such as knowledge, self-efficacy, and investment behaviours.

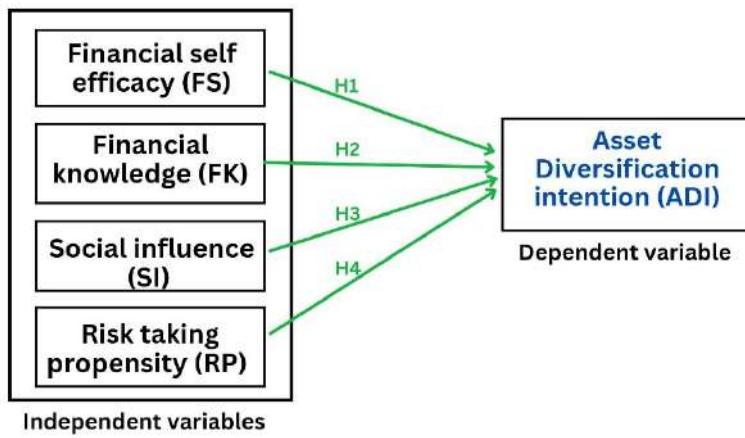


Figure 3.1: Conceptual Framework

3.2 Population and sample

The population for this study comprises approximately 800,000 investors in the Colombo Stock Exchange who maintain diversified portfolios, as outlined in the CSE Issuer Relations Booklet 2023. This population provides an ideal context for examining the factors influencing asset diversification intentions. A sample of 380 investors was selected for the study, guided by Morgan's sample size determination and prior research on CSE investor behaviour (Dayaratne & Wijethunga, 2015; Kengatharan, 2014). Due to limited access to the CSE's investor database, the sample was collected using a combination of convenience and snowball sampling techniques. Snowball sampling, frequently employed in similar studies (Lasantha & Kumara, 2021), allowed initial participants to recruit other investors with diversified portfolios, facilitating the inclusion of a wide range of investment profiles. This approach ensured a representative dataset suitable for analyzing the factors driving asset diversification intentions.

3.3 Data collection and analysis

This study gathered data through an online questionnaire targeting 380 investors from the Colombo Stock Exchange (CSE) who maintain diversified portfolios. The survey instrument was designed to capture key variables—financial self-efficacy, financial knowledge, social influence, risk-taking propensity, and asset diversification intentions—using a five-point Likert scale. Drawing from established studies, the questionnaire consisted of six items assessing financial self-efficacy, four for financial knowledge, and three each for social influence and risk-taking propensity. Participants were briefed on the study's objectives, assured of data confidentiality, and provided their voluntary consent to participate.

Data analysis was conducted using descriptive statistics, correlation analysis, and regression analysis, employing methodologies aligned with prior research (Huberman & Dorn, 2005; Lasantha & Kumara, 2021). The reliability of the questionnaire items was verified through Cronbach's alpha values derived by prior researchers from where the questionnaire was taken. The analysis generated critical insights into the factors driving asset diversification intentions among CSE investors, offering a fresh perspective on the subject.

Table 3.1: Cronbach's alpha values cited through literature

Variables	Cronbach's alpha
Financial self-efficacy	0.71
Financial knowledge	0.77
Social influence	0.72
Risk taking propensity	0.87
Asset diversification intention	0.85

Source: (Akhtar & Das, 2017)

4. DATA ANALYSIS

4.1 Descriptive statistics

Table 4.1: Demographic information

Demographics	Category	No of respondents	Percentage
Gender	Male	212	55.8%
	Female	168	44.2%
Age range	18-29 years	120	31.6%
	30-44 years	133	35.0%
	45-59 years	120	31.6%
	60 years and older	7	1.8%

Level of education	Highschool and equivalent	65	17.1%
	Bachelor's degree	166	43.7%
	Master's degree	136	35.8%
	Doctorate (PhD)	13	3.4%
No of assets held	1-3 assets	141	37.1%
	4-7 assets	121	31.8%
	8-15 assets	101	26.6%
	More than 15 assets	17	4.5%

Source: SPSS Output

Out of 380 respondents, 55.8% are male and 44.2% are female, providing a balanced representation of both genders for analysing potential differences in asset diversification intentions. The age distribution is concentrated in the 30-44 age group (35%), followed by the 18-29 and 45-59 groups (31.6% each), with the smallest group being those 60 and older (1.8%). In terms of education, the majority hold a bachelor's (43.7%) or master's degree (35.8%), while smaller proportions have completed high school (17.1%) or earned a doctorate (3.4%). Most respondents hold between 1-3 assets (37.1%), with fewer holding 4-7 assets (31.8%), 8-15 assets (26.6%), and over 15 assets (4.5%), offering a comprehensive view of portfolio composition within the sample.

4.2 Data reliability and validity

Data reliability was assessed using Cronbach's Alpha, a measure commonly used to evaluate the internal consistency of the scales employed in this study (Hair et al., 2020). Cronbach's Alpha values indicate how well a set of items measures a single latent construct, with values above 0.7 being considered acceptable and values above 0.8 representing strong internal consistency (Nunnally & Bernstein, 1994). The values for Cronbach's Alpha were calculated using SPSS Statistics, and the results are presented in table 4.2 below.

Table 4.2: Cronbach's alpha

	Cronbach's alpha	N of items
ADI	0.900	3
FK	0.784	4
FS	0.818	6
RP	0.767	3
SI	0.745	3

Source: SPSS Output

In this study, all constructs demonstrated acceptable to strong internal consistency. Specifically, the Asset Diversification Intention (ADI) construct exhibited excellent internal consistency, with a Cronbach's Alpha value of 0.9, which is well above the minimum threshold of 0.7, indicating that the scale reliably measures the intended concept. For the remaining constructs, Financial Knowledge (FK), Financial Self-Efficacy (FS), Risk-Taking Propensity (RP), and Social Influence (SI), the Cronbach's Alpha values ranged from 0.745 to 0.818, all of which exceed the threshold of 0.7, indicating satisfactory internal consistency. These results suggest that the instruments used to measure these constructs were reliable and provided consistent responses across participants.

4.3 Correlation Analysis

The correlation table presented in table 4.3 reflects the strength and direction of the relationships between the study variables: Asset Diversification Intention (ADI), Financial Knowledge (FK), Financial Self-Efficacy (FS), Risk-taking Propensity (RP), and Social Influence (SI). The values in the table represent Pearson's correlation coefficients, which indicate the degree to which two variables are linearly related. The values range from -1 to +1, where 1.0 indicates a perfect positive correlation, -1.0 indicates a perfect negative correlation, and 0 indicates no linear relationship.

Table 4.3: Pearson correlation matrix

	ADI	FK	FS	RP	SI
ADI	1.000	0.731	-0.705	0.783	0.795
FK	0.731	1.000	-0.598	0.683	0.583
FS	-0.705	-0.598	1.000	-0.650	-0.587
RP	0.783	0.683	-0.650	1.000	0.677
SI	0.795	0.583	-0.587	0.677	1.000

Source: SPSS Output

ADI and FK: The correlation between Asset Diversification Intention (ADI) and Financial Knowledge (FK) is 0.731, which is a strong positive correlation. This suggests that investors with higher financial knowledge tend to have stronger intentions to diversify their assets. As individuals become more knowledgeable about financial markets and products, they are likely to make more informed decisions regarding their investment portfolios, leading to a higher likelihood of diversification.

ADI and FS: The correlation between Asset Diversification Intention (ADI) and Financial Self-Efficacy (FS) is -0.705, which is a strong negative correlation. This implies that as an investor's financial self-efficacy increases, their intention to diversify their assets decreases. Investors with higher confidence in their financial

decision-making abilities may believe that they can successfully manage a less diversified portfolio, thus reducing the need for diversification.

ADI and RP: The correlation between Asset Diversification Intention (ADI) and Risk-taking Propensity (RP) is 0.783, indicating a strong positive correlation. This suggests that investors with a higher propensity for risk-taking are more likely to diversify their investments. Such investors may allocate portions of their portfolio to higher-risk assets, which may require more diversification to manage the associated risk.

ADI and SI: The correlation between Asset Diversification Intention (ADI) and Social Influence (SI) is 0.795, the strongest correlation in the table. This suggests that social influence plays a significant role in shaping an investor's diversification intentions. Investors are likely influenced by their social circles (family, friends, colleagues, etc.) when making investment decisions, and this influence can lead to a stronger intention to diversify their portfolios.

The results of the correlation analysis indicate that Asset Diversification Intention (ADI) is most strongly correlated with Social Influence (SI) and Risk-taking Propensity (RP). These findings suggest that social factors and an individual's tendency to take risks significantly influence their diversification decisions. Financial Knowledge (FK) and Financial Self-Efficacy (FS) also play substantial roles in shaping diversification intentions, but the relationships are somewhat more nuanced, with some negative correlations indicating that greater financial self-confidence may reduce the need for diversification.

4.4 Regression analysis

Table 4.4: Model summary

Model	R	R ²	Adj R ²	Std. Error of the Estimate
1	0.892	0.796	0.794	0.47370

Source: SPSS Output

The R-squared value of 0.796 indicates that 79.6% of the variance in Asset Diversification Intentions (ADI) is explained by the variables Financial Knowledge (FK), Financial Self-Efficacy (FS), Risk-Taking Propensity (RP), and Social Influence (SI). The model demonstrates a strong fit to the data (refer table 4.4).

Table 4.5: ANOVA table

Model	Sum of squares	df	Mean square	F	Sig.
Regression	328.936	4	82.234	366.473	0.001
Residual	84.147	375	0.224		
Total	413.083	379			

Source: SPSS Output

The F-test value of 366.473 is highly significant ($p < 0.001$), indicating that the chosen independent variables— financial knowledge, financial self-efficacy, social influence and risk-taking propensity collectively explain a significant portion of the variance in ADI (refer table 4.5).

Table 4.6: Coefficients table

Predictor Variable	Unstandardized coefficients (B)	Std. Error	Beta (standardized coefficients)	t- value	Sig. (p-value)	Decision (H0)
(Constant)	0.177	0.290		0.608	0.544	
FK	0.357	0.053	0.227	6.756	0.001	Rejected
FS	-0.274	0.050	-0.180	-5.504	0.001	Rejected
RP	0.321	0.049	0.248	6.557	0.001	Rejected
SI	0.598	0.051	0.389	11.689	0.001	Rejected

Source: SPSS Output

The coefficient table provides valuable insights into the relationship between the independent variables—Financial Knowledge, Financial Self-Efficacy, Risk-Taking Propensity, and Social Influence—and the dependent variable, Asset Diversification Intentions. The constant (B₀), or intercept, represents the expected value of ADI when all independent variables are set to zero. The coefficients (B₁, B₂, etc.) indicate the expected change in ADI for a one-unit increase in the respective independent variable, assuming all other variables are held constant.

In this study, Social Influence (SI) has the largest positive coefficient ($B = 0.598$, $p < 0.05$), suggesting it is the most significant predictor of ADI. A one-unit increase in SI is associated with a 0.598-unit increase in ADI, indicating that investors heavily rely on social cues in their diversification decisions. Financial Knowledge (FK) also shows a significant positive influence ($B = 0.357$, $p < 0.05$), reflecting that individuals with a higher financial knowledge are more likely to diversify.

In contrast, Financial Self-Efficacy (FS) has a negative coefficient ($B = -0.274$, $p < 0.05$), implying that higher self-efficacy reduces diversification intentions. This could indicate that more self-efficient individuals prefer concentrated investments due to confidence in their abilities. Risk taking propensity (RP), with a positive coefficient

($B = 0.321$, $p < 0.05$), also demonstrates a significant impact, reinforcing the importance of risk tolerance in investment decisions.

The regression equation derived from the coefficients table is as follows:

$$\text{ADI} = 0.177 + 0.357(\text{FK}) - 0.274(\text{FS}) + 0.321(\text{RP}) + 0.598(\text{SI})$$

Here, 0.177 represents the constant (B0), or intercept, which is the expected value of ADI when all independent variables are zero. This baseline value reflects investors' asset diversification intentions independent of the explanatory variables. The coefficients for each independent variable indicate the extent to which a one-unit change in that variable influences ADI, assuming all other variables are held constant. In summary, the regression equation not only quantifies the impact of each independent variable on ADI but also emphasizes the dominant role of social influence and the nuanced effects of financial knowledge, self-efficacy, and risk-taking propensity in shaping diversification intentions.

5. DISCUSSION AND CONCLUSION

5.1 Discussion on variables

5.1.1 *Financial Knowledge and Asset Diversification Intention*

The findings of this study reveal a significant positive relationship between financial knowledge and asset diversification intentions, as reflected by coefficient of 0.357 and a p-value of 0.001. This result suggests that investors with a robust understanding of financial concepts are more likely to adopt diversification strategies in their portfolios. The outcome aligns with the insights of Abreu and Mendes (2005), who argued that financial knowledge enables investors to assess risk more effectively and make informed investment decisions.

Moreover, Grable (2000) highlights that increased financial literacy improves an investor's comprehension of the risk-return trade-off, which serves as a critical factor in promoting diversification behavior. In the context of this study, it can be inferred that well-informed investors are better equipped to evaluate market complexities and mitigate risks through diversified portfolios, thereby optimizing their investment outcomes.

5.1.2 *Financial self-efficacy and Asset Diversification Intention*

The findings indicate a significant negative relationship between financial self-efficacy and asset diversification intentions, with a coefficient of -0.274 and a p-value of 0.001. This suggests that investors with higher financial self-efficacy are less likely to diversify their portfolios. These individuals, confident in their financial management abilities, may perceive diversification as unnecessary, believing their

expertise allows them to effectively manage a concentrated set of investments. Consequently, their strong sense of control over financial outcomes leads to a preference for focusing on specific assets rather than spreading their investments.

This finding resonates with the work of Chandra and Shadel (2007) and Williams and Williams (2010), who observed that individuals with high self-efficacy view financial tasks as challenges they can master. In this context, heightened self-efficacy may result in a concentrated investment approach, as these individuals trust their ability to mitigate risks and optimize returns without relying on diversification.

5.1.3 Risk taking propensity and Asset Diversification Intention

The regression analysis reveals an unexpected positive relationship between risk-taking propensity and asset diversification intentions, with a significant coefficient value of 0.321 and a p-value of 0.001. Contrary to the hypothesis that risk-takers tend to prefer concentrated portfolios, the results suggest that these individuals acknowledge the strategic benefits of diversification. Specifically, investors with a high risk-taking propensity appear to understand that diversification can serve as an effective risk management strategy, helping to balance potential risks and optimize returns.

This finding aligns with Alleyne and Broome (2011), who argue that even risk-oriented investors may recognize the advantages of diversification as a way to mitigate extreme losses while pursuing higher returns. It indicates a more sophisticated approach to risk-taking behavior, where investors seek a balanced investment strategy rather than opting for highly concentrated positions. This insight challenges traditional views that risk-takers only pursue single, high-risk investments and suggests that diversification may be perceived as a valuable tool for enhancing overall financial outcomes, even among those inclined to take greater risks. This prompts a re-evaluation of existing literature, highlighting the need to consider the diverse ways in which risk-taking propensity influences investment strategies.

5.1.4 Social influence and Asset Diversification Intention

The regression analysis reveals a significant positive relationship between social influence and asset diversification intentions, with a coefficient value of 0.598 and a p-value of 0.001. This indicates that individuals are strongly influenced by the investment behaviours and opinions of their social networks when deciding on their investment strategies. The findings suggest that social networks play a pivotal role in shaping investors' decisions, guiding them toward diversification strategies that they might not have otherwise considered.

Supporting literature by Jamal and Rizwan (2022) emphasizes that social networks can significantly impact individuals' risk tolerance and decision-making processes.

This aligns with the current study, which demonstrates that social encouragement and validation have a substantial effect on investors' intentions to diversify their portfolios. The results highlight the crucial role of external influences in motivating diversification, reinforcing the notion that investment behaviours are not solely shaped by individual knowledge or preferences but are often heavily guided by the opinions and behaviours of others.

5.2 Implications of the study

This research provides significant managerial and theoretical implications for financial advisors, portfolio managers, and policymakers in optimizing investment strategies and understanding investor behaviour. The findings highlight the prominent role of social influence in shaping asset diversification intentions, suggesting that investors are strongly influenced by the behaviours and opinions of their social networks. This aligns with herd behaviour theory, where individuals tend to follow the actions of others, especially in uncertain environments. Financial advisors and portfolio managers can use these insights to tailor investment strategies that consider the social contexts of clients, ensuring that they are not overly influenced by market trends or peer behaviours that might lead to irrational investment decisions.

For practical application, advisors could integrate social influence factors into their risk management practices, recognizing that clients' decisions might not solely be driven by individual preferences or financial knowledge but by external pressures. Helping investors understand the role of social influence in their decisions could mitigate the risks of herd behaviour, which could lead to market inefficiencies and mispriced assets.

From a theoretical perspective, this research contributes to the development of behavioural finance by emphasizing the importance of social factors in investment decision-making. The findings challenge traditional theories that focus on rational decision-making, such as Modern Portfolio Theory, by showing that social influences—rather than purely individual assessments—often guide investment choices. The incorporation of social influence into investment models can provide a more holistic view of how investors behave in real-world markets.

5.3 Conclusion

In conclusion, this research underscores the significant influence of social factors in shaping investors' asset diversification intentions, highlighting the critical role of social influence in financial decision-making. The findings strongly indicate that investors are not always independent decision-makers but rather are influenced by the behaviours and opinions of their social networks. This supports the central theme of the study, "Directed or Decided," suggesting that investment decisions are often

driven by external factors rather than solely personal knowledge or financial expertise.

The study's results reveal that while financial knowledge and risk-taking propensity do have a notable impact on asset diversification, social influence stands out as the most significant driver of diversification intentions. The substantial positive relationship between social influence and asset diversification intentions emphasizes how external pressures and herd behaviour can shape investment strategies. This insight challenges the traditional view of investors as fully autonomous decision-makers and calls attention to the powerful role of social networks in guiding financial behaviour.

So, this study demonstrates that asset diversification intentions are largely shaped by social influence, with significant implications for both theory and practice. It emphasizes the need to consider social factors when developing investment strategies and policies, as understanding the role of herd behaviour can lead to more effective decision-making processes and a more stable financial environment. By incorporating social influence into the decision-making framework, financial professionals and policymakers can better guide investors toward rational, diversified investment choices that align with long-term financial goals.

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Behavioral factors affecting investment decision-making in bank stocks on the Colombo stock exchange

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ABSTRACT

This study explores the influence of behavioral, demographic, and economic factors on investment decision-making in bank stocks listed in the Colombo Stock Exchange (CSE). The research utilizes a quantitative approach, analyzing data from 100 active investors. Results indicate that demographic factors such as age and education significantly impact investment behavior, while behavioral biases like overconfidence and herding behavior play a critical role in decision-making. This study suggests strategies to mitigate the effects of these biases, contributing to a more efficient market. The findings are significant for financial institutions, investors, and policymakers aiming to enhance market stability and investor results.

Keywords - Behavioral finance, investment decision-making, Colombo Stock Exchange

1. INTRODUCTION

Investment decision-making has been traditionally grounded in the principles of rational choice theory, which assumes that investors make decisions by logically assessing available information to maximize their utility. Classical financial theories like the Efficient Market Hypothesis (EMH) and the Capital Asset Pricing Model (CAPM) rest on the idea that markets are efficient, and prices reflect all relevant information (Mittal, 2022). However, real-world observations often contradict these models, as investors frequently exhibit behaviors that deny rational logic. This deviation has led to the emergence of behavioral finance, which integrates insights from psychology to explain why investors sometimes act irrationally.

Behavioral finance is particularly important in emerging markets, where factors like information asymmetry, limited financial literacy, and market volatility can amplify irrational behavior (Roberts et al., 2021). The CSE has been a cornerstone of Sri Lanka's economic development, playing a crucial role in mobilizing capital and facilitating investment. Among the various sectors, banks stock stands out due to their significant role in economic stability and growth. Understanding how and why investors make decisions in this sector is essential, not only for improving investment outcomes but also for ensuring market efficiency and financial stability.

The study aims to bridge the gap between traditional finance and behavioral insights by exploring the factors that influence investment decisions in the CSE, particularly in the banking sector. Through an examination of behavioral biases such as overconfidence, loss aversion, and herding, as well as demographic and economic factors, this research provides a comprehensive understanding of investor behavior in Sri Lanka.

1.2 Problem Statement

The assumption of rationality in financial decision-making has been challenged by numerous empirical studies showing that investors are prone to biases and errors in judgment. Behavioral biases such as overconfidence, loss aversion, and herding can lead to suboptimal investment decisions, affecting market efficiency. In the context of the CSE, these biases can result in increased volatility, speculative bubbles, and financial instability, particularly in sectors that are sensitive to market sentiment, such as banking (Sattar et al., 2020).

Despite the critical role of bank stocks in the CSE, there is limited research on the psychological and demographic factors influencing investment behavior in this sector. Investors may hold onto losing stocks longer than rationally justifiable due to loss aversion or trade excessively due to overconfidence. Furthermore, demographic factors such as age, education, and income can also shape investment behavior, influencing how individuals perceive risk and respond to market trends (Roberts et al., 2021; Arslan & Howells, 2021).

The lack of comprehensive studies on behavioral finance in Sri Lanka's banking sector creates a need to explore how these biases manifest and interact with other factors. Understanding these dynamics can help financial institutions design better investment products and assist policymakers in creating regulations that promote market stability.

1.3 Research Questions

Main Research Question

What are the behavioral, demographic, and economic factors that significantly influence investment decisions in bank stocks on the Colombo Stock Exchange (CSE)?

Specific Research Question

- 1 How do demographic factors influence individual investment decisions in bank stocks on the Colombo Stock Exchange (CSE)?
- 2 To what extent do economic factors (interest rates and inflation), impact individual investment decisions in Sri Lanka's banking sector?
- 3 How do behavioral biases affect investment decisions in the Colombo Stock Exchange (CSE)?

1.4 Research Objectives

General Research Objective:

To assess the influence of behavioural, demographic, and economic factors on individual investment decision-making processes related to bank stocks on the Colombo Stock Exchange.

Specific Research Objective:

- 1 To analyze the influence of demographic factors (such as age, gender, income level, and education) on individual investment decisions in bank stocks on the Colombo Stock Exchange (CSE).
- 2 To examine the impact of economic factors (including interest rates and inflation) on investment decisions in Sri Lanka's banking sector.
- 3 To evaluate the role of behavioral biases (such as overconfidence, herding, and anchoring) in shaping investment decisions in the Colombo Stock Exchange (CSE).

1.5 Significance of the Study

Practical Significance: The study identifies key psychological biases such as overconfidence, loss aversion, herding, and anchoring that affect investment decisions in bank stocks on the CSE. These insights can help investors and financial consultants make more accurate and rational decisions. Additionally, financial institutions can use these findings to design tools and services to address these biases, leading to improved investor performance and satisfaction. By understanding and managing these biases, policymakers can also work towards enhancing market

stability and preventing issues like over-trading or maintaining underperforming stocks, thereby strengthening the overall robustness of the Sri Lankan financial market.

Empirical Significance: This research contributes to the field of behavioral finance by focusing on an emerging economy, filling a gap where most studies have centered on developed markets. It explores how cognitive biases manifest in the Sri Lankan context, providing insights that may differ from those observed in more developed markets. This approach helps track when and how biases occur across different settings, setting the stage for further studies in other emerging markets. The findings also add to the global understanding of how psychological factors influence investment decisions, aiding future research and expanding the theoretical knowledge of behavioral finance on a comparative scale.

1.6 Scope of the Study

The scope of this research is limited to the banking sector on the Colombo Stock Exchange. It focuses on how behavioral, demographic, and economic factors affect investment decisions. Data was collected through surveys conducted among active investors on the CSE, complemented by a review of relevant literature. The research aims to provide insights that are applicable to other sectors of the CSE and similar emerging markets.

2. LITERATURE REVIEW

2.1 Investment Decision-Making in Financial Markets

Blending theories on investment decisions show that investment decisions depend on several factors such as; economic factors, market factors and; investor factors. The neoclassical theories bring it forth that the business decision-making process is rational with the primary objective of achieving higher returns with lower risks. However, according to behavioral finance, decisions are also based on psychological factors which results in irrational behavior of decision makers (Ricciardi & Simon, 2000; De Bondt et al., 2013). Such complexity is exacerbated by factors such as the market mood, events, and communication in social networks.

There several heeds that are cognitive and emotional that influence the investments. For instance, overconfidence and anchoring cause investors to wrong estimates of risks and returns, while the fear and greed result in unnecessary trading behaviours (Madaan & Singh, 2019; Jahanzeb, 2012). Such biases can lead to irrational investment actions like over trading, copying others, and inadequate control of risks and these are capable of having negative impact on portfolio performance and overall market efficiency (Brenner et al., 1996).

Decision in bank stocks involve a number of considerations since the sector is dominated by complexities and equally volatile to the prevailing macroeconomic factors. Stocks of a bank are comparatively riskier and needs lot of analysis, so they are highly vulnerable to behavioral biases (Kumar & Prince, 2022; Ul Abdin et al., 2022). Such challenge risks tend to magnify biases and has severe implications for investors such as; Regulatory shifts, Interest rate volatility and Geopolitical factors that affects the sector. Awareness of these factors enables successful investment decisions as well as the achievement of a specific financial goal.

2.2 Introduction to Behavioral Finance

Behavioral finance is the branch of study that aims to identify the behavioral patterns and psychological characteristics that impact decisions made by consumers in the fiscal market and also deviate from the normative style of financial theories that assumes that people behave rationally. It considers the effects of emotions, heuristics, and social effects on investors' decisions; thus, it offers a better representation of the market environment (Baker & Nofsinger, 2010; Hirshleifer, 2015). As it will be explained in the following sections, behavioral finance is important as it provides information that cannot be understood by using efficiency of markets explaining why markets may not be efficient all the time, also referring to some anomalies such as overreaction and underreaction of prices (Barberis & Thaler, 2003).

Behavioral finance theories developed from the late twentieth century with seminal work from Kahneman and Tversky's theories such as the Prospect theory and cognitive biases and tendencies (Thaler, 1999; Statman, 2014). Gradually, behavioral finance has evolved as more studies were published which supported this field, and questioned the applicability of the EMH and called for more complex analysis of markets. There is a transition from the conventional approach to cashflow valuation to consider psychological aspect of the financial working.

Previous research and experience have without doubt demonstrated the need to consider behavioral biases; this is much more important when looked at the context of markets such as Sri Lanka where dynamics and behavior can be much different from that observed in developed countries. There are some works that provide evidence that investor sentiment has a stronger effect in emerging markets since these markets are characterized by higher risk and vulnerability to psychological factors owing to its participants' level of information (Ritter, 2003; Kim & Nofsinger, 2008). Knowledge of these biases could help in identifying ways that these biases can be avoided thereby improving market stability and investors in such regions (Zaleskiewicz, 2015).

2.3 Overconfidence Bias

Overconfidence bias is one of the heuristics in the cognition area because people are likely to overclaim their expertise, efficiency, or accuracy of the information that they possess. This bias is rife in the investor with self-assessed high information or high forecasting ability, making them underpredict risk, and overtrade (Johnson & Fowler, 2011; West & Stanovich, 1997). Arrogance in investment leads to high turnover that is caused by the investor's view that they can beat the market every time, thus incurring high transaction costs hence, lowering portfolio returns (Statman, 2008).

The literature shows that overconfidence has a substantial effect on self-trader behavior as well as investment results. Whereas expertise leads to improved investment decisions, arrogance and overconfidence leads to high turnover of assets and increased risk taking hence low performance (Scott et al., 2003; Brenner et al., 1996). This behavior is mostly observed in the periods of stock volatility where overconfidence can amplify fluctuations in pricey market that results to bubbles and crashes (Mishra & Metilda, 2015). One of these biases is overconfidence where the holders take long to sell their losing shares, while they tend to sell their best holding very faster Jahanzeb, (2012).

Several research works have been conducted on overconfidence bias, specifically in relation to stock markets, the findings showing that it is manifested regardless of the investors' characteristics and the prevailing conditions in the markets. For instance, the market analyses of the Colombo Stock Exchange show the local investor overconfidence hence they make impulsive trades and create speculation bubbles (Qasim et al., 2019; Metwally & Darwish, 2015). Such studies stress the education and awareness of investors' risks that may be associated with overconfidence and encourage less biased decisions of investors (Kumar et al., 2022).

2.4 Loss Aversion

The theory related to the loss aversion is the prospect theory that aims at illustrating, that people prefer to avoid losses more than they would prefer to gain similar gains. This psychological bias makes investors give more importance to potential loss rather than the potential gain and therefore is a major reason for risk aversion (Kahneman & Tversky, 1979; Novemsky & Kahneman, 2005). In financial markets, the loss aversion leads to situations such as the capital asset pricing model where investors are likely to cling to stocks with a view of earning back their misfortune as well as selling back performing stocks to avoid making more profits (Shalev, 2000).

Namely, the propensity of loss aversion plays a critical role in risk perception and in trading involving stocks as an asset. Every investor tends to be more inclined towards not selling such stocks, mainly because of the pain of accepting a loss in the stock – this is colloquially called the 'disposition effect' (Gal & Rucker, 2018; Statman,

2014). This bias may lead to emaculate diversification of stocks and losses in challenges to diversify to more optimum investment instruments (Baker & Nofsinger, 2010). Therefore, knowledge of loss aversion is vital to formulating ways through which reversal of the implications of the theory can be achieved to enhance investment performance (Ritter, 2003).

Having reviewed loss aversion and its effects in detail, it is seen that loss aversion varies according to the type of market. As cautioned by Zaleskiewicz, 2015 and Kim & Nofsinger, 2008, inherent factors like low level of investor knowledge and fluctuations in a developing region like Sri Lanka magnifies their concern towards loss aversion. Analysing trading details from the Colombo Stock Exchange, De Bondt et al., (2008) found that loss aversion makes a strong impact on the market inefficiency and volatility. Knowledge of these patterns may assist investors and policy makers to fashion mechanisms to encourage more prevention-oriented investment patterns among investors (Jahanzeb, 2012).

2.5 Herding Behavior

Herding behavior in financial markets refers to the tendency of investors to follow the actions of others rather than rely on their independent analysis. This behavior is driven by social influences and the perceived safety of conforming to the crowd, often leading to market trends that deviate from fundamental values (Rahayu et al., 2021; Shalev, 2000). Herding can result in the rapid escalation of asset prices during booms and steep declines during busts, contributing to the formation of bubbles and crashes (Ouarda et al., 2013).

The consequences of herding are significant, as it can amplify market volatility and distort price signals, making it difficult for investors to accurately assess asset values (Merli & Roger, 2013; Statman, 2008). Herding can also lead to increased systemic risk, as the synchronization of trading actions magnifies the impact of shocks on the financial system (Brenner et al., 1996). Understanding the dynamics of herding behavior is crucial for developing strategies to stabilize markets and mitigate the adverse effects of collective irrationality (Campbell & Sharpe, 2009).

Examinations of herding behavior in emerging markets reveal unique challenges and opportunities. In the Colombo Stock Exchange, herding behavior is particularly pronounced, driven by factors such as limited access to information, speculative trading, and the influence of dominant market players (Kumar & Prince, 2022; Novemsky & Kahneman, 2005). Studies highlight the need for improved market transparency and investor education to counteract herding tendencies and promote more informed decision-making (De Bondt et al., 2013). Addressing these issues can enhance market efficiency and foster a more resilient financial environment (Ritter, 2003).

2.6 Anchoring Bias

Anchoring bias is a cognitive distortion where individuals rely too heavily on initial information or reference points when making decisions. In investment contexts, this can lead to skewed valuations and decisions based on irrelevant or outdated data (Lieder et al., 2018; Novemsky & Kahneman, 2005). Anchoring affects investors' ability to accurately assess new information and adjust their strategies accordingly, often resulting in persistent mispricing of assets (Statman, 2008).

The influence of anchoring bias on investment decision-making is evident in how initial price points or analyst forecasts can set a baseline for subsequent evaluations, even if market conditions change (de Wilde et al., 2018; Campbell & Sharpe, 2009). This bias can lead to the "anchoring and adjustment" phenomenon, where investors fail to adequately adjust their estimates in light of new information, resulting in systematic errors (Baker & Nofsinger, 2010). Understanding anchoring bias is essential for developing strategies to enhance decision-making accuracy and improve market efficiency (Kahneman & Tversky, 1979).

Research findings on anchoring bias in stock valuations highlight its prevalence in various market contexts, including Sri Lanka. Case studies illustrate how Sri Lankan investors often anchor their expectations to historical stock prices or previous market conditions, leading to persistent inefficiencies in the Colombo Stock Exchange (Zaleskiewicz, 2015; Shalev, 2000). Addressing anchoring bias through investor education and improved access to real-time data can help mitigate its effects and promote more rational investment practices (Gal & Rucker, 2018).

2.7 Interplay of Behavioral Factors in Investment Decisions

The interplay of different behavioral biases significantly influences investment decisions, often leading to compounded effects on market outcomes. Cognitive biases such as overconfidence, anchoring, and loss aversion do not operate in isolation but interact in complex ways, shaping investor behavior and market dynamics (Lieder et al., 2018; Merli & Roger, 2013). Understanding these interactions is crucial for developing a comprehensive framework for behavioral finance that accounts for the multifaceted nature of human decision-making (De Bondt et al., 2013).

Studies demonstrate the combined effects of multiple biases on investment decisions, highlighting how they can reinforce or counteract each other (Madaan & Singh, 2019; Novemsky & Kahneman, 2005). For example, overconfidence may exacerbate the impact of loss aversion by encouraging risk-taking behavior, while anchoring can compound herding tendencies by causing investors to stick to established norms and benchmarks (Barberis & Thaler, 2003). These interactions underscore the complexity of behavioral finance and the need for integrated strategies to address multiple biases simultaneously (Baker & Nofsinger, 2010).

The compounded impact of behavioral biases on investors' financial outcomes is evident in both developed and emerging markets. In Sri Lanka, the interplay of biases like overconfidence, loss aversion, and herding contributes to market inefficiencies and volatility (Zaleskiewicz, 2015; Kim & Nofsinger, 2008). Recognizing these patterns can inform the development of targeted interventions to enhance market stability and improve investor education, ultimately leading to more efficient financial markets (Ritter, 2003).

2.8 Impact of Behavioral Biases on the Colombo Stock Exchange

The Colombo Stock Exchange (CSE), as an emerging market, presents unique characteristics and challenges that influence the manifestation of behavioral biases among investors. With its relatively smaller market size, limited information availability, and high volatility, the CSE provides a fertile ground for cognitive biases to flourish (Mishra & Metilda, 2015; UI Abdin et al., 2022). These market characteristics often lead to increased susceptibility to irrational behavior, impacting trading patterns and overall market efficiency (De Bondt et al., 2008).

Behavioral biases manifest specifically in Sri Lanka's stock market, where investors often exhibit overconfidence, herding, and loss aversion, contributing to market inefficiencies and speculative trading (Kumar & Prince, 2022; Metwally & Darwish, 2015). The prevalence of these biases highlights the need for tailored interventions to address their unique impact on the CSE, such as enhancing transparency, improving information dissemination, and promoting investor education (Zahera & Bansal, 2018). These efforts can help mitigate the adverse effects of behavioral biases and foster a more stable market environment (Jahanzeb, 2012).

Comparing behavioral finance trends in Sri Lanka with other emerging markets reveals both similarities and differences in how biases manifest and affect market dynamics. While some biases, like herding and overconfidence, are common across emerging markets, local factors such as cultural influences and market structure can lead to distinct patterns in the CSE (Qasim et al., 2019; Rahayu et al., 2021). Understanding these nuances is essential for developing effective strategies to enhance market efficiency and investor outcomes in Sri Lanka (Ritter, 2003).

2.9 Mitigating Behavioral Biases in Investment Decision-Making

Mitigating behavioral biases in investment decision-making is essential for promoting rational behavior and enhancing market efficiency. One effective strategy is for investors to recognize and understand their cognitive biases, enabling them to make more informed and objective decisions (Baker & Nofsinger, 2010; Hirshleifer, 2015). Self-awareness and reflection can help investors identify potential biases and develop strategies to counteract their influence, such as diversifying portfolios and setting clear investment goals (Barberis & Thaler, 2003).

Financial education and awareness play a crucial role in reducing the impact of cognitive biases. By providing investors with the knowledge and tools to understand behavioral finance principles, they can make more informed decisions and avoid common pitfalls (Madaan & Singh, 2019; Kim & Nofsinger, 2008). Educational initiatives can also promote critical thinking and analytical skills, empowering investors to evaluate information objectively and make rational choices (Gal & Rucker, 2018). These efforts are particularly important in emerging markets, where limited access to information can exacerbate biases (Ritter, 2003).

Policymakers and financial institutions can support investor education and behavior management through targeted interventions. Implementing regulatory measures to enhance transparency, improve information dissemination, and promote ethical investment practices can help mitigate the adverse effects of behavioral biases (Kumar & Prince, 2022; Shalev, 2000). Additionally, financial institutions can offer training programs and resources to help investors develop strategies for overcoming biases and making more rational decisions (Brenner et al., 1996). These combined efforts can contribute to a more stable and efficient financial market, benefiting both investors and the broader economy (Statman, 2014).

2.10 Research Gap

Despite the extensive research on behavioral biases in investment decision-making, significant gaps remain, particularly concerning emerging markets like Sri Lanka. Much of the existing literature predominantly focuses on developed markets, where the dynamics and impacts of biases such as overconfidence, herding, and anchoring are well-documented (Baker & Nofsinger, 2010; De Bondt et al., 2013). However, the unique socio-economic and cultural contexts of emerging markets can significantly alter how these biases manifest and affect investor behavior. In Sri Lanka, for example, factors such as limited financial literacy, market volatility, and information asymmetry could amplify these biases differently than in more developed markets (Kumar & Prince, 2022; Ul Abdin et al., 2022). This discrepancy highlights a need for more localized studies that consider the specific characteristics of the Sri Lankan market and how they influence investor psychology.

Another significant gap in the literature is the limited exploration of the interplay between various behavioral biases and their compounded effects on investment decisions in Sri Lanka. While studies have identified individual biases like overconfidence and loss aversion, there is insufficient understanding of how these biases interact within the local market context (Zaleskiewicz, 2015; Shalev, 2000). The combination of biases can lead to unique investment patterns that are not observable when each bias is studied in isolation. For instance, the simultaneous presence of overconfidence and herding behavior could exacerbate market volatility, leading to more pronounced booms and busts (Mishra & Metilda, 2015; Merli &

Roger, 2013). Understanding these interactions requires comprehensive research that integrates multiple behavioral finance theories and methods to capture the complexity of investor behavior in Sri Lanka.

Furthermore, there is a noticeable lack of research on practical strategies to mitigate the impact of behavioral biases on investment decisions in the Sri Lankan context. Although some studies suggest that financial education and regulatory interventions can help reduce bias effects, there is limited empirical evidence on their effectiveness in emerging markets (Brenner et al., 1996; Madaan & Singh, 2019). Most interventions are designed based on data from developed markets, where the financial infrastructure and investor profiles differ significantly. Consequently, there is a need for research that identifies and tests tailored interventions suitable for the Colombo Stock Exchange and the broader Sri Lankan financial environment. Such studies would provide actionable insights for policymakers and financial institutions aiming to enhance market efficiency and investor outcomes (Ritter, 2003; Zahera & Bansal, 2018).

3. RESEARCH METHODOLOGY

3.1 Research Design

This study employs a quantitative research design to investigate the factors influencing investment decision making in bank stocks on the CSE. A quantitative approach is suitable for this research as it allows for the statistical analysis of relationships between variables, helping to identify patterns, correlations, and causations. By using structured surveys, the study can collect numerical data that can be analyzed to draw insights into how behavioral, demographic, and economic factors impact investment decisions. This approach also facilitates hypothesis testing, enabling the researcher to confirm or refute the proposed hypotheses based on empirical evidence.

The research follows a descriptive correlational design, which is appropriate for understanding how different variables interact with each other. Descriptive research helps in identifying the characteristics of the population, while correlational analysis helps in determining the strength and direction of relationships between variables, such as demographic characteristics (age, gender, education), behavioral biases (overconfidence, herding), and economic factors (interest rates, inflation).

3.2 Conceptual Framework

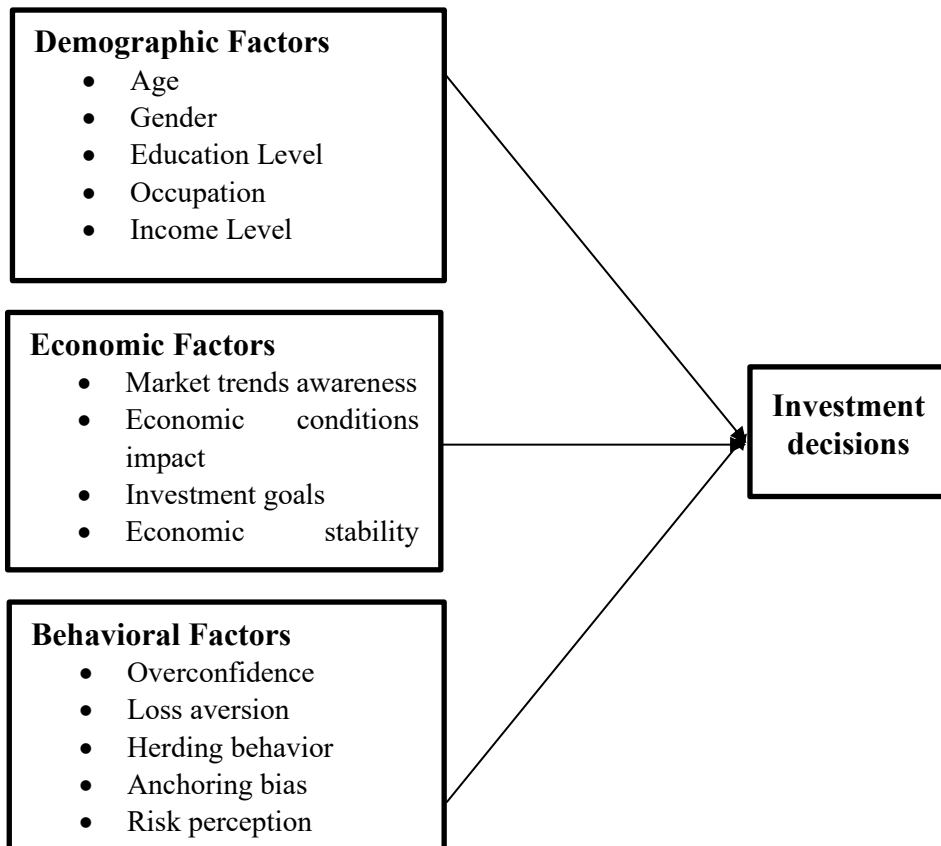


Figure 1: Conceptual Framework

3.3 Hypotheses

Based on the conceptual framework, the following hypotheses are proposed:

H₁: There is a significant impact of overconfidence bias on investment decision-making in bank stocks on the Colombo Stock Exchange.

H₂: There is a significant impact of loss aversion on the investment decisions of investors in the Colombo Stock Exchange's banking sector.

H₃: There is a significant impact of herding behavior on the investment decision-making process of investors in bank stocks on the Colombo Stock Exchange.

H₄: There is a significant impact of anchoring bias on the investment decision-making process of investors in bank stocks on the Colombo Stock Exchange.

H₅: There is a significant impact of risk perception on the investment decision-making process of investors in bank stocks on the Colombo Stock Exchange.

3.4 Operationalization of Variables

Variable	Measurement	Indicators	Scale	Source
Investment Decisions	Quantitative assessment of choices	<ol style="list-style-type: none"> 1 Frequency of transactions 2 Average holding period 3 Decision-making consistency 4 Return on investment 5 Risk tolerance 	5-point Likert scale	Quaicoe, A. and Eleke-Aboagye, P.Q., 2021. Behavioral factors affecting investment decision making in bank stocks on the Ghana stock exchange. Qualitative Research in Financial Markets, 13(4), pp.425-439.
Demographic Factors	Personal characteristics	<ol style="list-style-type: none"> 1 Age 2 Gender 3 Education level 4 Occupation 5 Income level 	5-point Likert scale	Quaicoe, A. and Eleke-Aboagye, P.Q., 2021. Behavioral factors affecting investment decision making in bank stocks on the Ghana stock exchange. Qualitative Research in Financial Markets, 13(4), pp.425-439.
Economic Factors	Economic influences	<ol style="list-style-type: none"> 1 Market trends awareness 	5-point Likert scale	Quaicoe, A. and Eleke-Aboagye, P.Q., 2021. Behavioral

		2	Economic conditions impact		factors affecting investment decision making
		3	Investment goals		in bank stocks on the Ghana stock exchange.
		4	Economic stability perception		Qualitative Research in
		5	Financial knowledge level		Financial Markets, 13(4), pp.425-439.
Behavioral Factors	Psychological influences	1	Overconfidence	5-	Quaicoe, A. and
		2	Loss aversion	point	Eleke-Aboagye,
		3	Herding behavior	Likert scale	P.Q., 2021. Behavioral
		4	Anchoring bias		factors affecting investment
		5	Risk perception		decision making in bank stocks on the Ghana stock exchange.
					Qualitative Research in Financial Markets, 13(4), pp.425-439.

3.5 Research Population & Sample Size

The research population consists of individual investors actively trading bank stocks on the CSE. A sample size of 100 respondents was targeted to ensure robust and reliable data. The sample was selected using a non-probability sampling technique, specifically convenience sampling, where participants were selected through online platforms, investment forums, and social media. This approach was chosen because it allows for efficient data collection from a diverse group of investors, providing a representative sample of the target population. However, the limitation of convenience sampling is the potential for selection bias, which will be addressed during the analysis phase.

3.6 Data Collection

Data was collected through an online survey, which included structured questions designed to capture relevant information on investment behavior. The survey consisted of four sections:

- **Demographic Information:** Questions on age, gender, education level, and income.
- **Behavioral Biases:** Statements related to overconfidence, loss aversion, herding, and anchoring were rated on a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree."
- **Economic Factors:** Participants were asked about their perceptions of economic stability, awareness of market trends, and how economic indicators like inflation and interest rates influence their investment decisions.
- **Investment Decisions:** Questions focused on the frequency of trading, risk tolerance, and average holding period for bank stocks.

The survey was pre-tested on a small group of investors to ensure clarity, reliability, and validity of the questions. Feedback from the pre-test was used to adjust before full deployment.

3.7 Data Analysis

Data analysis was conducted using statistical software such as SPSS. The analysis followed these steps:

- **Descriptive Statistics:** Used to summarize the demographic characteristics of the sample and provide an overview of the responses related to behavioral and economic factors.
- **Reliability and Validity Tests:** Cronbach's Alpha was used to test the reliability of the survey questions, ensuring consistency in responses. Factor

analysis was performed to validate the constructs of behavioral biases and economic perceptions.

- Correlation Analysis: Employed to determine the strength and direction of relationships between investment decisions and the independent variables.
- Regression Analysis: Multiple regression models were used to identify the extent to which behavioral, demographic, and economic factors influence investment decisions. Each hypothesis was tested to determine statistical significance.

3.8 Ethical Considerations

The study adhered to ethical guidelines to ensure the rights and privacy of the participants were protected. Participants were informed about the purpose of the research, and their consent was obtained before data collection. Confidentiality was maintained by anonymizing responses, and data was securely stored to prevent unauthorized access. Participation in the survey was voluntary, and respondents had the right to withdraw at any point without any penalty. Ethical approval for the study was obtained from the relevant institutional review board, ensuring that all procedures complied with standard research ethics.

4. DATA ANALYSIS

4.1 Introduction

This section presents the findings from the data collected through the survey, focusing on the analysis of the demographic characteristics, behavioral biases, economic perceptions, and their influence on investment decisions. The aim is to identify patterns and relationships that can provide insights into how these factors shape investment behavior in bank stocks on the Colombo Stock Exchange.

4.2 Demographic Data

4.2.1 Age

Table 1: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	18	18.0	18.0	18.0
	25-34	21	21.0	21.0	39.0
	35-44	16	16.0	16.0	55.0
	45-54	26	26.0	26.0	81.0

55 and above	19	19.0	19.0	100.0
Total	100	100.0	100.0	

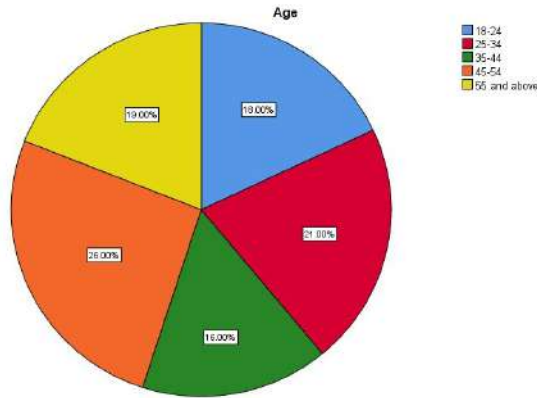


Figure 2: Age

Above Table 1 and figure 2 are presenting the demographic data for the collected sample. Accordingly, the participants have distributed into diverse age categories. Among them most of responders (26%) are from 45-54 age category and 21% are from 25-34, 19% are from 55 and above age category and others are from respective age category as indicating in these figure and table. Therefore, this diverse age participation allows this research to collect different opinion for assess factor affecting to investment decision making in bank on CSE.

4.2.2 Education Level

Table 2: Education Level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Bachelor's Degree	24	24.0	24.0	24.0
Doctorate or Higher	9	9.0	9.0	33.0
High School or Below	28	28.0	28.0	61.0
Master's Degree	23	23.0	23.0	84.0
Some College	16	16.0	16.0	100.0
Total	100	100.0	100.0	

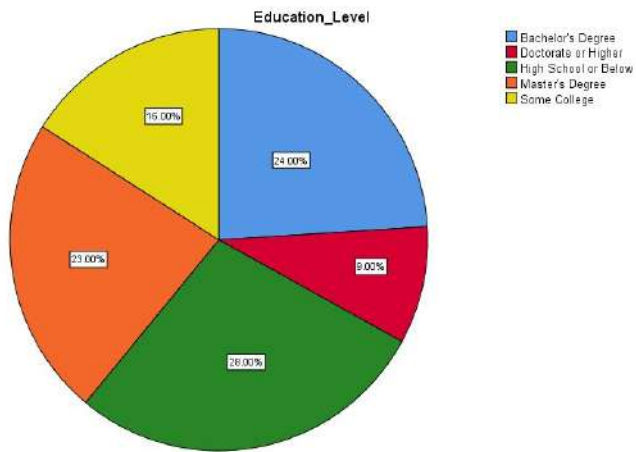


Figure 3: Educational Level

Above presented (Table 2 and Figure 3) educational level demographic data reveals good educational background of responders. Accordingly, most of responders have higher education qualification and it will lead to obtain high accurate data to achieve objectives of this research.

4.2.3 Occupation

Table 3: Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Clerical	19	19.0	19.0	19.0
	Managerial	19	19.0	19.0	38.0
	Other	19	19.0	19.0	57.0
	Professional	20	20.0	20.0	77.0
	Student	23	23.0	23.0	100.0
	Total	100	100.0	100.0	

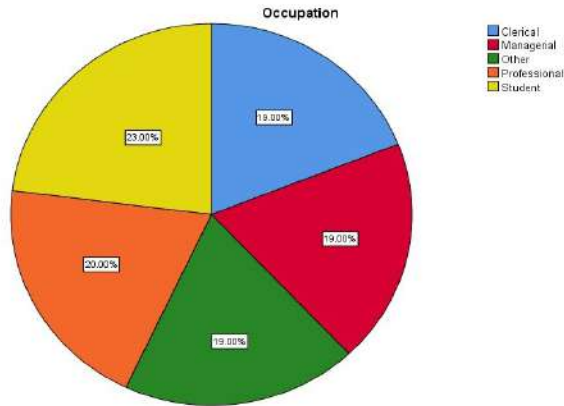


Figure 4: Occupation

According to the collected data as indicating in Table 3 and Figure 4 most of responders (23%) are students and 20% are in professional background. Clerical, managerial and other occupational types are distributed equally by 19%. This representation also reveals that diverse distribution of responders by different demographic facts.

4.2.4 Income Level

Table 4: Income Level

		Frequen cy	Percent	Valid Percent	Cumulative Percent
Valid	Less than LKR 50,000	15	15.0	15.0	15.0
	LKR 100,000 - LKR 200,000	14	14.0	14.0	29.0
	LKR 200,000 - LKR 300,000	24	24.0	24.0	53.0
	LKR 50,000 - LKR 100,000	22	22.0	22.0	75.0
	More than LKR 300,000	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

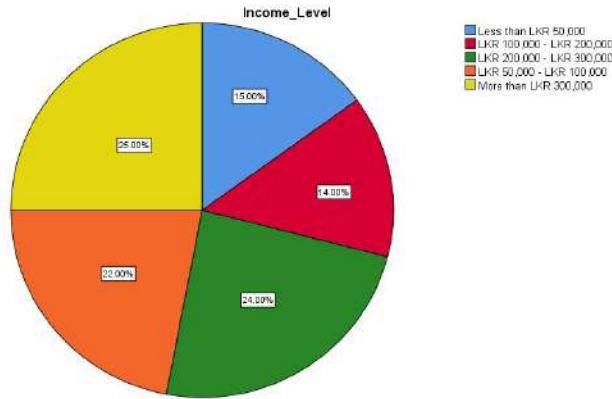


Figure 5: Income Level

Table 4 and figure 5 representing the income distribution of responders. Accordingly, responders are belonging to different income groups and among them most of responders are belong to “More than LKR 300,000” income group. Therefore, this research is able to collect data by base on diverse demographic facts.

4.3 Reliability Test

Table 5: Reliability Test

	Cronbach's Alpha
Investment Decisions	.787 ^a
X1 - Economic Factors	.737 ^a
X2 - Behavioral Factors	.737 ^a
X3 - Demographic Factors	.720 ^a

Reliability test is important test type in regression analysis in order to ensure internal consistency of the sample. This is measure using Cronbach’s Alpha value. If this value greater than 0.7 it can be concluded that the sample have good internal consistency among the variables. Therefore, as per the Table 5 all the variables are presented greater than 0.7 Cronbach's Alpha value. Hence it can be summarized as collected sample has good internal consistency to carry out further analysis.

4.4 Validity Test

Table 6: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.781
Bartlett's Test of Sphericity	Approx. Chi-Square	6.794
	df	6
	Sig.	.040

KMO and Bartlett's Test is used to check Validity of the sample. To validate the sample this KMO value should be greater than 0.7 and significance value (p value) of Bartlett's Test should lower than 0.05.

Accordingly, as indicating in Table 6 above two conditions are passed for this sample. Hence it can be concluded that this sample is good enough to carry out further analysis.

4.5 Descriptive Data

Table 7: Descriptive Statistics

	Mean	Std. Deviation	N
Investment Decisions	4.2520	.21949	100
X1 - Economic Factors	4.042	.4053	100
X2 - Behavioral Factors	4.152	.1425	100
X3 - Demographic Factors	4.408	.2541	100

As shown in Table 7, the study analyzed the following variables by using descriptive statistics Investment decisions, Economic factors, Behavioral factors, and Demographic factors.

Investment Decisions

Hence compared to control placement we get the average of 4.252 suggesting that on average the respondents concur with the statements pertaining to investment

decisions in bank stocks listed in the CSE. The poor standard deviation is recorded to be 0. 219 points to the change of about one score, thus pointing to a high level of agreement in the decision-making style among the sampled subject.

Economic Factors (X1)

The mean of 4. Furthermore, on the 042 scale, the results show that respondents are also generally consistent with the perceived economic factors that impact on their investment. The mean was also high at 4.898 and the standard deviation of 0. The two main test statistics are 4053 and 4022; the former is slightly greater than the latter, which indicate that there is more variability in investors' perception of economic factors.

Behavioral Factors (X2)

The mean was at 4. 152, This will be more specifically worked to mean that behavioral factors like overconfidence, loss aversion and herding behavior are evidently evident in investment decisions. these differences had a relatively low standard deviation with a value of 0. 1425 thus shows high inter-response reliability to mean that behavioural biases are consensually held among the respondents.

Demographic Factors (X3)

With an average value of 4, the scale received the highest mean out of all the variables. 408 on the basis of the above-emphasized, it is possible to state that demographic factors, including age, gender, and income, determine investment decisions to a significant extent. The values' standard deviation is 0. Compared to 2541 which has moderate variability suggesting some variation of the effects of demographic factors on decision making.

4.6 Correlation Analysis

Table 8: Correlations

			X1	X2	X3
Investment Decisions			Economic Factors	Behavioral Factors	Demographic Factors
Pearson Correlation	Investment Decisions	1.000	.621	-.397	-.435
	X1 - Economic Factors	.121	1.000	-.021	-.035

X2 - Behavioral Factors	-.397	-.021	1.000	.267
X3 - Demographic Factors	-.435	-.035	.267	1.000

Table 8 shows the Pearson correlation coefficients, which express the nature and the degree of the relationship between the dependent variable, Investment Decisions, and the independent variables, Economic Factors, Behavioral Factors, and Demographic Factors. The interpretation of these findings is as follows:

Economic Factors (X1)

Several investment decisions are strongly associated with their respective economic indicators with a value of the correlation coefficient equal to 0.621, which falls in the mid-range of the positive values, which means that there is moderate positive correlation between the two variables. This infers that where factors such as market condition awareness, economic stability perception in terms of economics are more favorable, there is likelihood of enhanced investment decision on bank stocks. Holding into consideration the decision-making approach by investors, it is seen that they make more frequent and consistent decisions when the economic factors are more predictable.

Behavioral Factors (X2)

Investment decision and behavioral factor carries a negative association or correlation coefficient of -0.52 of them resulted in $p < 0.05$ and 0.397 in $p > 0.05$, which means a moderate level of negative correlation. This implies that as behavioral biases (for example of overconfidence, loss aversion and herding) rises, the quality of the decision made by investors reduces. The negative correlation suggests that behavioral biases are likely to result in lower rationality or variation in the buy-sell decisions relating to the bank stocks.

Demographic Factors (X3)

There is negative correlation between investment decisions and demographic factors whereby the correlation coefficient is -0.435 which is moderate negative coefficient of correlation was obtained. This implies that some of the independent variables (i.e., age, gender, education level) have a detrimental effect of investment decisions. At the same time, some of these demographic factors might restrict the optimal decisions of investors, sometimes because of the different levels of financial literacy or/and different level of risk aversion among different demographical groups.

4.6.1 Correlation Analysis under Behavioral Factors

Table 9: Correlation Analysis for Behavioral Factors

Correlations

		Investment Decisions	Overconfi- dence	Loss_Ave- rion	Herding_B- ehavior	Anchoring Bias	Risk_Perce- ption
Investment Decisions	Pearson Correlation	1	.211*	.017	.000	-.100	.021
	Sig. (2tailed)		.035	.868	.997	.321	.035
	N	100	100	100	100	100	100

*Correlation is significant at the 0.05 level (2 tailed).

The correlation analysis presented in Table 9 examines the relationship between investment decisions and various behavioral factors, including **overconfidence**, **loss aversion**, **herding behavior**, **anchoring bias**, and **risk perception**. The Pearson correlation coefficient measures the strength and direction of these relationships, while the p value indicates statistical significance.

1 Overconfidence

The Pearson correlation between investment decisions and overconfidence is 0.211, indicating a weak positive relationship. This relationship is statistically significant at the 0.05 level ($p = 0.035$), which means that as overconfidence decreases, The probability of making a particular investment decision increases slightly but significantly. This suggests that investors who display overconfidence may be more willing to trade decisively on their investments. Even if the relationship isn't strong.

2 Loss Aversion

The correlation between investment decisions and **Loss Aversion** is 0.017, which represents a very weak positive relationship. However, this relationship is not statistically significant ($p = 0.868$), which means that the **Loss Aversion** does not have a significant influence. to investment decisions In this selection Investors do not see that fear of potential loss affects their investment choices to any significant extent.

3 Herding Behavior

The Pearson correlation for Herding Behavior and investment decisions is 0.000, indicating that there is no association between these two variables ($p = 0.997$), which means that the individuals in this study were not influenced by their investments.

4 Anchoring Bias

The result indicates that there is a weak negative relationship between the level of investment decisions and the anchoring bias with a correlation of -0.100. However, this relationship is not statistically significant ($p = 0.321$), and therefore, there is no compelling evidence that anchoring affect investment decisions based on initial information. Implying that individuals experiencing anchoring bias might avoid particular investment decisions

5 Risk Perception

The relationship between investment decisions and risk perception is 0.021 which is very weak positive coefficient. The p-value here is equal to 0.035, which indicates the statistical significance of the results, however, the association strength here is very low and therefore does not indicate practical significance in terms of making investment decisions.

4.7. Regression Analysis

4.7.1. Regression Analysis under Conceptual Framework

Table 10: Model Summary

Mode	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Sig. F Change	Durbin-Watson		
				R Square	F Change	df1				
1	.435 ^a	.189	.181	.19866	.189	22.859	1	98	.000	
2	.524 ^b	.274	.259	.18891	.085	11.378	1	97	.001	1.212

Table 10 is used to select best multiple regression model which describe investment decision in bank on CSE from the variable's economic factors, demographic factors and behavioral factors. Therefore, R square value in the Table 10 is used to select best model which describe investment decision from above mention variables. Accordingly, model 2 can be selected as the best model for this analysis since it has the highest R square value among the generated two models.

The model 2 has the 25.9% R square value and it is denoted that this model has moderate ability to describe dependent variable investment decision from the independent variables. Therefore, there are other variables which can be included to this model to more effectively describe investment decisions.

Hypothesis Testing

Table 11: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
					Lower Bound	Upper Bound	Partial	Partial	
2 (Constant)	7.536	.585	12.888	.000	6.376	8.697			
X3 - Demographic Factors	-.306	.078	-.354	-.3943	.000	-.460	-.152	-.435	-.372
X2 - Behavioral Factors	-.466	.138	-.303	-3.373	.001	-.741	-.192	-.397	-.324
X1 - Economic Factors	-.376	.079	-.435	-4.781	.000	-.532	-.220	-.435	-.435

a. Dependent Variable: Investment Decisions

Hypothesis testing is used to check the relationship between independent and dependent variables. This is tested along with the significance value (P value). If this value lower than 0.05, the null hypothesis of the corresponding hypothesis will be rejected and alternative one will be accepted by concluding there is a relationship between tested variables. Otherwise, if this value greater than 0.05, null hypothesis will be accepted and alternative one will be rejected. In this case it can be concluded there is no relationship between tested variables.

As per the Table 11 significance values all the independent variables have less than 0.05 significance values and can accept alternative hypotheses. Therefore, according to the results below hypothesis will be accept.

- There is a relationship between demographic Factors and investment decision-making in bank stocks on the CSE.

This hypothesis is helped to reveal age, gender, education level, occupation and income level have significantly affected to make investment decision making in banks on CSE.

- There is a relationship between behavioral Factors and investment decision-making in bank stocks on the CSE.

This also reveals Overconfidence, Loss aversion, Herding behavior, Anchoring bias and Risk perception behaviors of the users have significantly impacted to investment decision making in banks on the CSE.

- There is a relationship between economic Factors and investment decision-making in bank stocks on the CSE.

This hypothesis reveals Market trends awareness, Economic conditions impact, Investment goals, Economic stability perception and financial knowledge level have significantly influenced investment decision making in banks on the CSE.

4.7.2 Regression Analysis under behavioral factors

Table 12: Model Summary

Model Summary^b										
Model	R	Adjusted Square R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change	Durbin-Watson	
				R Square Change	F Change	df1	df2			
1	.211 ^a	.444	.035	.21566	.044	4.550	1	98	.035	1.063

a. Predictors: (Constant), Overconfidence

b. Dependent Variable: Investment Decisions

As per the above model summary table this model has 44.4% ability to describe dependent variable (investment decision) by using the variables which are related to behavioral factors.

Hypothesis Testing

Table 13: Coefficients

Coefficients^a

Model	Unstandardized Coefficient B	Standardized Coefficient Beta	Standard Error	t	Sig.	95.0% Confidence Interval for B		Correlations		
						Lower Bound	Upper Bound	Zero	Partial	
1	(Constant)		4.735	.227	20.816	.000	4.284	5.186		
	Overconfidence		.115	.054	-.211	-.032	-.222	-.008	-.211	-.211
	Risk_Perception		.235	.054	-.211	-.022	-.222	-.008	-.211	-.211

a. Dependent Variable: Investment Decisions

Excluded Variables^a

Model		Beta	In t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	Loss_Aversion	.008 ^b	.076	.940	.008	.998
	Herding_Behavior	.045 ^b	.443	.659	.045	.959

Anchoring_Bias	-.103 ^b	-1.042	.300	-.105	1.000
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a. Dependent Variable: Investment Decisions

b. Predictors in the Model: (Constant), Overconfidence

As per the Table 13 below hypothesis test summary can be presented in the Table 14.

Table 14: Hypothesis Test Summary

Hypothesis	P Value	Decision
H1 – there is a significant relationship between Overconfidence and investment decision	.035	P value is less than 0.05. therefore, accept alternative hypothesis and conclude there is a significant relationship between Overconfidence and investment decision
H2 – there is a significant relationship between loss aversion and investment decision	.940	P value is greater than 0.05. therefore, reject alternative hypothesis and conclude there is a no significant relationship between loss aversion and investment decision
H3 – there is a significant relationship between Herding Behavior and investment decision	.659	P value is greater than 0.05. therefore, reject alternative hypothesis and conclude there is a no significant relationship between Herding Behavior and investment decision
H4 – there is a significant relationship between Anchoring Bias and investment decision	.300	P value is greater than 0.05. therefore, reject alternative hypothesis and conclude there is a no significant relationship between Anchoring Bias and investment decision
H5 – there is a significant relationship between Risk Perception and investment decision	.027	P value is less than 0.05. therefore, accept alternative hypothesis and conclude there is a significant relationship between Risk Perception and investment decision

Therefore, as per the table 14 hypothesis test findings overconfidence and risk perception are the only variables among behavioral factors which affect to investment decisions in bank stocks on the Colombo stock exchange. Other behavioral factors such as Loss Aversion, Herding Behavior and Anchoring Bias haven't any relationship to the investment decisions in bank stocks on the Colombo stock exchange. Therefore, by base in this result below multiple regression equation can be built to describe investment decision.

$$\text{Investment decision} = 4.735 + .115 * \text{Overconfidence} + 0.235 * \text{Risk Perception}$$

4.8 Findings

The findings of the study suggest that while demographic factors such as age, education, and income significantly influence investment behavior, behavioral biases like overconfidence, herding, and loss aversion play crucial roles in shaping investment strategies. Economic factors like inflation and interest rates also impact decision-making, but their effect is moderated by how investors perceive and react to market conditions.

5. DISCUSSION & CONCLUSION

5.1 Discussion

The study confirms that behavioral factors significantly influence investment decisions on the CSE. Overconfidence and herding behavior were identified as key biases leading to frequent and sometimes irrational trading decisions. Loss aversion was found to cause investors to hold onto losing stocks longer than rational models would suggest. These findings align with existing literature on behavioral finance, which asserts that cognitive biases can lead to deviations from optimal investment behavior.

Economic factors, while influential, were found to be less significant compared to behavioral biases. This may suggest that investors in the CSE are more driven by psychological factors and peer influence than by macroeconomic indicators. Demographic factors played a moderating role, with older, more experienced investors showing less susceptibility to biases like overconfidence and herding.

5.2 Recommendations for the Field

Financial institutions can mitigate the adverse effects of cognitive biases by providing targeted education programs that raise awareness about these biases. Additionally, developing investment tools that help investors set clear goals and reduce impulsive trading could improve investment outcomes. For instance, investment platforms

could include features that prompt investors to reconsider selling decisions when they are driven by loss aversion.

5.3 Recommendations for Future Research

Future research should consider expanding the sample size and including a broader range of sectors beyond banking. Additionally, qualitative studies could provide deeper insights into the motivations behind investor behavior, complementing the findings of quantitative research. Cross-country comparisons could also help identify whether these biases are unique to Sri Lanka or prevalent across other emerging markets.

5.4 Limitations of the Study

The study's reliance on self-reported data introduces the potential for response bias. Additionally, the use of convenience sampling may limit the generalizability of the findings. Despite these limitations, the study provides valuable insights into the factors influencing investment decisions on the CSE.

5.5 Closing Remarks

Understanding the behavioral, demographic, and economic factors that drive investment decisions is essential for improving market efficiency and investor outcomes. This study contributes to the growing field of behavioral finance by highlighting how cognitive biases influence investment behavior in the context of an emerging market. By addressing these biases through education and tailored investment products, financial institutions and policymakers can help investors make more informed and rational decisions.

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Psychological Factors as Antecedents of Individual Savings Behavior: A Study on Working Adults in Colombo District

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ABSTRACT

This study examines to find the influence of psychological factors on the savings intention of working adults in the Colombo District in Sri Lanka. In this study, the TPB model has been extended, and financial self-efficacy and financial risk tolerance are used. In all, 384 respondents were surveyed, with the response measured on a five-point Likert scale. These data were analyzed by SPSS concerning the relationship between saving intention as a dependent variable and attitude, subjective norms, financial self-efficacy, and financial risk tolerance as psychological factors.

The results show that attitude, subjective norms, and financial self-efficacy strongly influence saving intention. A positive attitude about saving and strong social influences is the subjective norm was the most cogent predictor. Financial self-efficacy was positive but much weaker in influencing saving intentions. However, the variable of financial risk tolerance did not show any significant influence on saving behaviour and therefore may be more relevant for investment decisions than for saving.

The present study puts attention on how crucial psychological factors are to encouraging saving behaviour and provides a venue for financial institutions to devise plans that promote savings through enhanced attitudes and social norms that Favor this action.

Keywords - Saving intention, Attitude, Subjective norms, Financial self-efficacy, financial risk tolerance.

1. INTRODUCTION

Saving has two vital functions in economic development because it creates both financial stability for personal needs and resources for prolonged investment plans. The saving behavior of individuals displays variations because of psychological together with behavioral factors. According to the Theory of Planned Behavior (TPB) saving intentions result from attitudes together with subjective norms and perceived control. The research seeks to enhance the Theory of Planned Behavior by adding

financial self-efficacy and financial risk tolerance as saving intention forecasting variables.

Savings behaviour refers to how individuals choose to set aside part of their income for future needs; savings contribute not only to personal financial stability but also to the growth of the economy. Savings reduce current consumption, yet they may foster investment and economic growth over the longer run, hence being one of the major determinants of the macroeconomic levels. Savings behaviour has high relevance to developing economies where inflation, financial distress, and overall uncertainty are usually high.

The behavior of individuals regarding their savings has changed due to economic instability coupled with inflation rates in the country. Young individuals in the workforce find it difficult to save money because financial pressures and expensive living expenses become major barriers to saving. Research on psychological determinants behind saving behaviors in Sri Lanka remains scarce thus creating an opportunity for this study to investigate this issue.

Financial instability and inflation have burdensome results on people's financial difficulties in Sri Lanka, where savings habits have been extremely poor. The present study explores the issue of saving intentions among young working adults in Colombo, an economic city in Sri Lanka, influenced by various psychological factors.

Guided by the theory of planned behaviour, which stipulates that one's behaviour is driven by their intentions, which in turn are motivated by attitude, subjective norms, and perceived control, this research incorporates financial self-efficacy and financial risk tolerance in an effort to better explain saving behaviour.

2. LITERATURE REVIEW

Ever since its development, the TPB has been one of the most used theories in behavioural research in the study of financial behaviours, such as saving (Ajzen, 1991). TPB theorizes that a person's intention to perform a behaviour is determined by three factors: attitude toward the behaviour itself, subjective norms, and perceived behavioural control.

Whereas TPB provides a rich grounding for the investigation of saving behaviour, other psychological factors might further enhance the predictive ability of the model, such as financial self-efficacy and financial risk tolerance. Financial self-efficacy refers to an individual's belief in his or her capability to master financial challenges and attain financial objectives. As stated by (Bandura, 1977), studies have found that individuals with higher financial self-efficacy are more likely to save.

Financial risk tolerance is defined as the degree of one's readiness to perform financial activities with uncertain consequences. In such a direction, other research by (Grable,

2000) suggested that a person with higher risk tolerance may be involved more in investments, but its impact on savings behaviour is still highly debated. The current study tries to explain what role financial risk tolerance plays in savings intention.

Attitude towards saving: The more positive the attitude regarding saving is, the greater will be the intentions to save. On one side, studies have provided the critical positive link between attitude and saving intentions (Tankel, 2015). Individuals determine their saving behavior and resource allocation decisions through their attitudes regarding saving purposes. The research conducted by Furnham and Argyle (1998) shows that individuals who view saving positively will build better saving patterns. The research conducted by Gutter and Copur (2011) establishes that people who understand saving plays a significant role tend to establish financial goals while building their wealth.

Subjective Norms: This helps to identify what effect financial attitudes of the family or peer group can have on an individual's choice of money management. As such, Gutteling (2016) has emphasized that, from a social norm's perspective, saving is a highly important area for prediction. The financial choices of people heavily depend on the Social norms developed through relationships with family members and workmates along with peer connections. Ajzen (1991) explains that subjective norms function as key elements which construct behavioral intentions. Research conducted by Gutteling (2016) shows that individuals who feel their saving decisions receive strong social backing tend to stay faithful to their financial goals.

The influence of family becomes extremely powerful in Sri Lanka because it operates as a collectivist culture. Sabri and Juen (2014) found that family-oriented cultural backgrounds lead their members to show better saving habits because parents boost their savings while peers back their decisions. Digital social networks help modify how people handle their finances by revealing financial trends and peer behaviors which users encounter through online platforms according to Pew Research Center (2021).

Financial Self-Efficacy: An individual's belief in his or her ability to manage financial challenges have also been found to be associated with better saving behaviour. In this respect, Bandura (1977) asserts that people are not passive learners but observationally learn from others. According to Bandura (1997) self-efficacy defines as the confidence individuals hold in performing needed actions for achieving their desired financial targets. A study presented by Lown (2011) demonstrates that people with strong financial self-efficacy concepts make deliberate financial arrangements that result in higher savings. According to Farrell et al. (2016) financial confidence acts as a driving force that makes people avoid risks which leads them to establish long-term saving practices.

Financial Risk Tolerance: According to Grable (2000), risk tolerance is more critical in investment decisions. However, whether risk tolerance influences saving behaviour is open to debate. Business decisions heavily depend on a person's willingness to take risks. A person with elevated risk tolerance tend to select investment options instead of saving a portion of their money says Grable (2000). Under unsure economic circumstances according to Gilliam and Chatterjee (2011) people with low tolerance for risk choose stable savings options instead of unpredictable investment vehicles.

Research explains how psychological aspects determine the formation of saving intentions. The three determining factors of saving behavior consist of attitudes together with subjective norms alongside financial self-efficacy. Studies show that the relationship between risk tolerance and saving behavior remains unverified because financial risk tolerance appears to affect investment decisions more than savings choices. The discovered interaction patterns produce crucial knowledge which helps improve financial education initiatives and establishes financial wellness policies.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

The Theory of Planned Behavior (TPB) which Ajzen (1991) introduced consists of attitudes and subjective norms and perceived behavioral control as three elements that influence behavioral intentions. This research adopts the Theory of Planned Behavior model but extends it by using financial self-efficacy and financial risk tolerance to explain saving behavior.

Behavioral economics demonstrates that people base their saving choices on automatic psychological rules and mental distortions instead of strict logic. According to the prospect theory established by Kahneman and Tversky (1979) people tend to demonstrate loss aversion through their saving choices because they judge immediate consumption as superior to saving money. The analysis of saving behavior requires examining psychological factors as well as economic considerations since people make saving decisions based on additional psychological motives.

As mentioned earlier, the TPB demonstrates that behavioral intentions develop from three components including attitudes and subjective norms together with perceived behavioral control. This study modifies TPB by replacing perceived behavioral control with financial self-efficacy and financial risk tolerance to provide a comprehensive understanding of saving behavior.

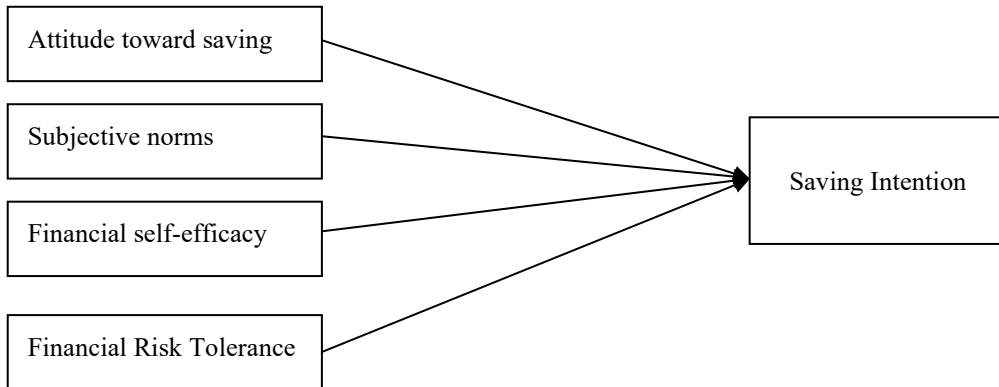


Figure 3.1: Conceptual Framework

Source: Developed by the Author

The following hypotheses are formulated based on the conceptual framework.

H₁: Attitude towards saving intention has a significant influence on saving intention.

H₂: Subjective Norm has a significant influence on saving intention.

H₃: Financial Self-efficacy has a significant influence on saving intention.

H₄: Financial Risk tolerance has a significant influence on saving intention.

4. METHODOLOGY

4.1 Research Design

This study is a cross-sectional survey study. It used a deductive approach since hypotheses were tested from the TPB, which was extended by financial self-efficacy and risk tolerance. A structured questionnaire was administered to 384 young working adults in Colombo. The sample was selected using purposive sampling of those participants who fall between the ages of 20-40 years and are employed full-time. This is because Colombo represents a district with relatively high financial literacy and earnings, thus encompassing the most suitable context within which to investigate savings behaviour.

4.2 Measurement

Measured by using five-point Likert scale attitudes, subjective norms, financial self-efficacy, financial risk tolerance, and saving intention. In this case, the independently related variables were attitude to saving, subjective norms, financial self-efficacy,

and financial risk tolerance, while saving intention was the dependent variable. The operationalizing of the variables is based on Widyastuti's research (Widyastuti, 2016) and Ajzen (Ajzen, 1991). Reliability testing of scales shows Cronbach's alpha for the variables is above 0.7.

4.3 Data Analysis

Data analysis was performed with IBM SPSS 20.0. Descriptive statistics were used to summarize the demographic characteristics of this sample, while Pearson correlation was used to assess the strength and direction of relationships between variables. The relationships of independent variables with a dependent variable, saving intention, were tested for significance by multiple regression analysis.

5. RESULTS

5.1 Descriptive Statistics

There were 384 responders in the sample size, 60% of whom were men and 40% of whom were women. Most of the questionnaires fell within the 25-29 age group, covering a range of 45%, while the remaining portion fell between 30-39 years of age, comprising 35%. The average income was Rs. 50,000- 99,999 per month, though a few earn more than Rs. 300,000 per month. With this in mind, the following study of saving behaviour would be most relevant within a population that is experiencing high inflationary pressure and uncertainty with regard to economic outcomes.

5.2 Reliability Analysis

From the result of the reliability analysis, all variables have a Cronbach's alpha above 0.7 and, hence, internal reliability for measurement scales is guaranteed. Hence, the variable subjective norms carry the highest reliability with $\alpha = 0.972$, followed by saving intention at $\alpha = 0.967$; financial self- efficacy, $\alpha = 0.908$; and financial risk tolerance, $\alpha = 0.872$. This confirms that the constructions used in this study are robust and reliable.

Table 5.1: Reliability analysis of variables

Variable	Cronbach's Alpha	Conclusion
Saving Intention	0.967	Reliable
Attitude Towards Saving Intention	0.88	Reliable
Subjective Norms	0.972	Reliable
Financial Self-efficacy	0.908	Reliable
Financial Risk Tolerance	0.872	Reliable

Source: Author compiled based on survey data with the SPSS Software

5.3 Correlation Analysis

All the independent variables, according to Pearson correlation analysis, were positively and significantly related to saving intentions. Attitudes toward saving strongly correlated to saving intention at 0.912, and the p-value was less than 0.05. The subjective norms also flow strongly positively at 0.964 and a p-value of less than 0.05, while financial self-efficacy reported a positive association to 0.801 and a p-value of less than 0.05. The lowest correlation was observed regarding saving intention with financial risk tolerance, which is represented by $r = 0.845$, at a p-value of less than 0.05.

Table 5.2: Correlation between independent variables and dependent variables.

Dependent Variable	Independent Variable	Pearson Correlation	Strength Direction
Saving Intention	Attitudes Towards Saving	0.912	Very High
			Positive
Saving Intention	Subjective Norms	0.964	Very High
			Positive
Saving Intention	Financial Self-efficacy	0.801	High Positive
Saving Intention	Financial Risk Tolerance	0.845	High Positive

Source: Author compiled based on survey data with the SPSS Software

5.4 Regression Analysis

The multiple regression analysis revealed that attitude to saving or not, $\beta = 0.214$ and $p < 0.05$; subjective norms, $\beta = 0.821$ and $p < 0.05$; and financial self-efficacy, $\beta = -0.099$ and $p < 0.05$ were all significant in affecting saving intention. However, financial risk tolerance was insignificant at $\beta = 0.036$ and $p > 0.05$. A model R-square of 0.938 showed that 93.8% of the variance in saving intention may be explained by the independent variables.

6. DISCUSSION

The findings of this study also align with the content of previous studies concerning the role that psychological factors play in saving behaviour. The strongest predictors of saving intention were attitudes to save and subjective norms, which therefore supported the work of Ajzen (Ajzen, 1991) and Gutteling (Gutteling, 2016). Development of intentions to save will therefore most likely occur when individuals possess positive attitudes towards an act and experience strong social influences. The

result has consequently brought into focus the importance of support from social and psychological standpoints in nurturing financial wellbeing.

Lastly, while the influence was relatively weaker than that of attitudes and subjective norms, financial self-efficacy is another important factor. Its finding supports the conceptual framework by Bandura (Bandura, 1977) that individuals possessing higher confidence in their financial ability are most likely to result in positive financial behaviour. However, financial self-efficacy would be considered more in situations where the individuals are faced with some particular financial constraints, such as managing debt or making some investment decisions.

Meanwhile, financial risk tolerance did not turn out to be an important factor in saving intention. It may be that focus here is on saving behaviour, as opposed to investment behaviour because financial risk tolerance has found to play a larger role in decisions related to higher-risk financial activities such as stock market investments, Grable (Grable, 2000) reported.

7. LIMITATIONS & FUTURE RESEARCH

This study contains several recognized restrictions. This study investigates saving behavior through focus on young working adults located in Colombo District so the findings apply only to that specific demographic group and location. Future investigations should broaden their research by studying how different demographic groups across socio-economic levels and geographic regions save money to enhance knowledge of saving behavior.

The study depends mostly on participant-reported data that might result in reporting bias because of how people remember or wish to present their information. The participants might have provided answers that exaggerated their actual saving actions rather than revealing their accurate saving practice. Future researchers should employ combined research methods through interviews and long-term monitoring to confirm current scientific findings and develop sophisticated understanding of saving behavior patterns.

The research faces a restriction because it depends significantly on the Theory of Planned Behavior (TPB) to explain its findings. This established model of TPB does not explain all the psychological and economic elements which influence financial behavior. Research in the future should study supplementary or advanced models such as behavioral economics theories and financial literacy frameworks because they could influence how people intend to save money.

Financial risk tolerance emerged as an influence that failed to reach significance levels related to saving intention. The research results disagree with existing findings requiring more thorough examination of this topic. Additional studies should evaluate

how different financial knowledge levels and income brackets connect risk perception to investment behavior when forming their savings plans.

Additional studies can use these findings to create better saving behavior improvement methods which benefit various population groups with financial well-being objectives.

8. CONCLUSION

This research gives important information concerning psychological elements that affect saving behaviors of young adults who work in Colombo District. Research findings demonstrate that saving intention attitudes together with subjective norms and financial self-efficacy strongly affect saving behavior yet financial risk tolerance makes minimal impact. The study findings demonstrate that psychological factors strongly impact financial choices thus requiring specialized financial education strategies and state interventions.

A deep understanding of how attitudes together with subjective norms regulate saving intention signifies that organizing awareness programs and educational efforts about financial prudence could lead to beneficial outcomes. Better saving attitudes combined with social network approaches for financial habit learning improve the ability of people to save money.

The study revealed financial self-efficacy acts as a major predictor to saving intentions since individuals who feel strong about financial matters tend to save. Educational financial literacy programs that aim to boost self-confidence among people serve as essential tools for obtaining control over their financial destiny. Youth working professionals can benefit from financial institution training programs and advisory programs designed to develop their capabilities for making smart financial decisions.

Financial risk tolerance does not significantly affect saving intention because people choose to prevent financial losses rather than risk their savings. The socio-economic framework of Sri Lanka might drive the results since economic instability affects financial decision processes in this demographic. Further research needs to analyze this relationship in detail to explain how risk tolerance relates to saving preferences.

Research on financial behavior expands through this study which both extends TPB framework analysis and demonstrates empirically linked psychological saving behavior factors. The study presents important practical guidelines which policy makers as well as financial institutions and educational institutions should use to develop programs which boost saving habits and financial health.

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Impact of Financial Behavior on Entrepreneurial Motivation A Study among Management Undergraduates in Sri Lanka

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ABSTRACT

This study investigates the "Impact of Financial Behavior on Entrepreneurial Motivation – A Study among Management undergraduates in Sri Lanka." The research focuses on financial behaviors—saving, borrowing, investing, and spending—and their influence on entrepreneurial motivation. The purpose is to explore how these behaviors affect the entrepreneurial drive of undergraduate students. The research uses a quantitative approach, gathering data through an online 5-point Likert scale questionnaire administered to a sample of 100 management undergraduates from both government and private universities in Sri Lanka. The methodology employs a cross-sectional survey design, with a purposive sampling technique. Data were analyzed using statistical methods such as descriptive statistics, correlation, and regression analysis were applied. The findings reveal that financial behavior, particularly saving and investing behavior, significantly impacts entrepreneurial motivation. Borrowing and spending behaviors also show a positive correlation with entrepreneurial drive, though to a lesser extent. The study concludes that financial behavior is a key determinant in fostering entrepreneurial motivation among management undergraduates. The results have implications for educational institutions and policymakers in designing programs to enhance financial literacy and entrepreneurial education. Future research could expand the sample size and include participants from other academic disciplines to verify the findings.

Keywords - Borrowing behavior, Entrepreneurial motivation, Financial behavior, Investment, Management undergraduates, Savings behavior, Spending behavior

1. INTRODUCTION

Entrepreneurship has been considered as a catalyst for monetary increase because it creates jobs and offers solutions to social troubles. The government is trying to make entrepreneurship popularized a few of the public, especially in management students in universities. This analysis objectives to examine how Financial Behavior on Entrepreneurial Motivation among Management Undergraduates in Sri Lanka. This research employs a quantitative approach, and the statistics have been gathered using a survey questionnaire. The study determined a massive advantageous affiliation between financial behavior and their willingness to start their own business.

Entrepreneurs must have a strong understanding of finance in order to succeed in business. Entrepreneurs are persons who create businesses, hire employees, take risks, and actively participate in business decisions. Successful business owners must have great money management skills. As previously stated, individual financial literacy is important in supporting entrepreneurship. Financial literacy is defined as knowledge or education about money, assets, bank accounts, investments, credit, insurance, and taxes, as well as how to use this financial information effectively when developing individual financial plans. Financial literacy can improve financial skills and impact personal financial behavior.

Even though financial conduct and financial literacy are crucial components of business management, many entrepreneurs in Sri Lanka struggle to run their businesses effectively. Many start-up enterprises in Sri Lanka failed due to a variety of causes, including low financial literacy and irresponsible financial behavior. One example of business failure is caused by a lack of cash. This indicates that persons with entrepreneurial qualities may not have the knowledge to secure funding while starting the business.

The research also assessed Spending, Borrowing, Investing and saving among contributors who executed an exceptionally robust usual final results, at the side of the extent of drive for entrepreneurship among respondents with a in addition expanded common overall performance. This research contributes to educators and academic institutions that it is very important to layout an incorporated instructional curriculum to reinforce the entrepreneurial motivation of management students who're the sample of this examine (rapina, 2023)

This study makes a substantial contribution, both theoretically and practically. From a theoretical standpoint, this study can help identify the important financial behavior aspects that have the greatest impact on entrepreneurial motivation. This allows for the creation of more targeted and successful behavior programs to encourage interest in entrepreneurship. Practically, this research can help entrepreneurs make better financial decisions for their businesses. This can help to reduce company risk and increase the likelihood of success. The findings of this study can help the government and other institutions understand how increasing and regulating financial behavior might assist the expansion of the entrepreneurial ecosystem. Policies that prioritize financial education can foster a more welcoming climate for budding entrepreneurs.

Statement of the Problem

There has been a less growth in entrepreneurial activities, specifically among management undergraduates in Sri Lanka. Many young people are pursuing entrepreneurship as a viable career path due to their desire for independence, innovation, and financial independence. Management education programs in

universities in Sri Lanka frequently focus on promoting entrepreneurship to encourage innovation and tackle socio-economic issues. Management undergraduates frequently lack sufficient information and abilities in financial management, along with budgeting, making an investment, and threat evaluation. This deficit in economic literacy may additionally avert their capacity to make informed decisions concerning entrepreneurial pursuits, leading to elevated financial risks and ability commercial enterprise failure.

ABC Survey Company has undertaken a comprehensive survey geared toward gaining insight into the future occupational alternatives of final-12 months undergraduate college students attending distinguished private and government universities. The following file offers the findings gleaned from this survey

Table 1 Occupational Preference

University	Occupational Preference No of Students		
	Government Sector	Private Sector	Entrepreneurship
Government University 1	30	26	4
Government University 2	24	18	6
Government University 3	29	17	2
Private University 1	10	30	10
Private University 2	12	27	9

Therefore, the researcher endeavors to discover the reasons at the back of the apparent loss of intention among university undergraduates to pursue entrepreneurship, as evidenced by using the survey consequences. Given that financial behavior extensively impacts occupational alternatives, the researcher posits that it can play a pivotal role in shaping entrepreneurial motivation. As such, the researcher proposes to investigate the effect of monetary behavior on entrepreneurial motivation via a take a look at targeting management undergraduates in Sri Lanka.

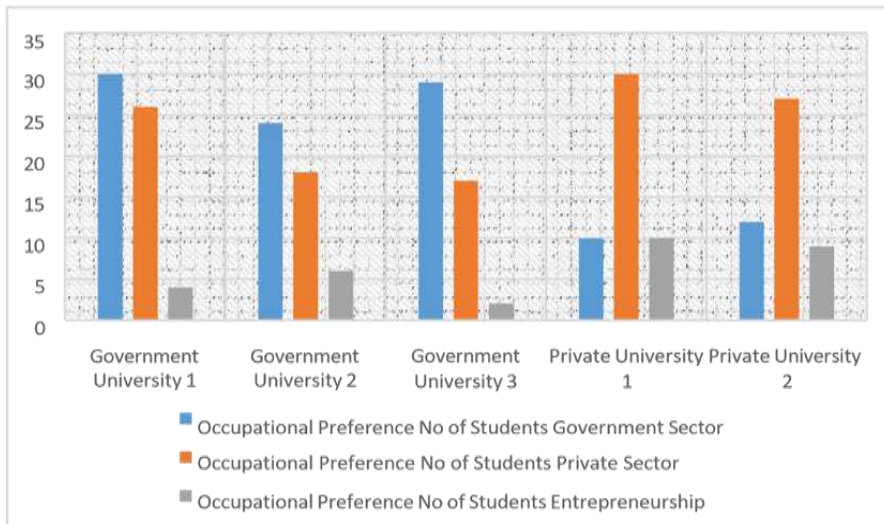


Figure 1: Occupational Preference

Objectives of the Study

- To analyze the impact of financial behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka.

Secondary Objectives

- Impact of Savings behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka.
- Impact of borrowing behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka.
- Impact of spending behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka
- Impact of Investment behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka
- Impact of Investment behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka.
- Impact of Investment behavior on the entrepreneurial motivation of management undergraduates in Sri Lanka

2. LITERATURE REVIEW

Entrepreneurial Motivation

The drive behind people starting and running their own businesses is known as entrepreneurial motivation. It includes all of the external and internal forces that push someone to accept the risks and obligations that come with becoming an entrepreneur. Personal aspirations like the need for independence, the desire for financial success, self-fulfillment, or the drive to invent and solve issues are frequently used as internal motivators. A tremendous sense of achievement stemming from creating something new, a strong vision for the future, and a passion for their ideas are often the driving forces behind entrepreneurs. Conversely, business opportunity, social recognition, or the necessity to overcome financial instability or unemployment can all serve as external motivators.

The motivation of an entrepreneur is essential for conquering the obstacles and uncertainties associated with launching and expanding a business. It supports business owners in remaining strong in the face of adversity, such as monetary hardship or rivalry in the market. Motivated business owners are more inclined to persevere, come up with new ideas, and take calculated chances that lead to their company's success. In Sri Lankan contexts, where social and economic conditions can create additional obstacles, entrepreneurial motivation is crucial in encouraging people, especially recent graduates, to consider self-employment as a viable career path. This helps to promote economic growth and job creation. As well as significant topic in business management research but also impacts other fields such as science, the arts, and engineering (Kirzner, 2008). One of the most well known and cited definitions of entrepreneurship is by Shane and Venkataraman (2000:218) who defined it as “how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited (Ratten, 2023). Entrepreneurship is a important count that has received attention from the government because it is able to make an contribution to the advancement of the financial growth, and enhancement of societal nicely-being (Ari Saptono1*, 2020). Entrepreneurship is a recommended aspect that diverse younger technology, together with undergraduates from numerous universities. Entrepreneurial sports are associated with economic activities in commercial enterprise in which notable financial conduct is wanted in a industrial company. Entrepreneurs which have robust economic control abilities promote industrial company enlargement.

Entrepreneurs ought to consequently be subsidized by manner of financial competence, taken into consideration one in all this is the financial behavior required of them to manipulate their organizations successfully. (Suparno & Saptono, 2018).

Financial Behavior

Human behavior that is connected to money management is known as financial behavior. A combination of saves, investing, credit management, and cash flow management makes up financial behavior. Personal responsibility in financial management is linked to financial conduct. Good money management includes creating a budget, evaluating debt purchases, and determining retirement requirements in a timely manner. Financial behavior refers to an individual's mindset and conduct when handling their finances. How people handle, manage, and make use of their available financial resources is correlated with their financial behavior. Financial behavior can be measured in several ways: expenses, payment of bills, financial planning, providing money for yourself and family, savings (Arifin, 2018)

The process by which people comprehend and apply their financial information to make wise investments is known as financial behavior. It clarifies how people can apply financial concepts, ideas, and information to their deeds or inactions. In this study, financial conduct refers to how management students use their financial knowledge to make wise investment decisions.

Furthermore, knowledge refers to what people understand about. Individuals' expertise of personal charge variety is classified. (Naila Al Kholilah, May 2013) outline economic facts as understanding over many factors of finance. According to (Chowa, 2012) teenagers generally discover about money from their parents and at college, with a focus on saving. Finance training became added at several ranges of education. (Raras Risia Yogasnumurti)

According to present day scholarship, the entrepreneurial hobby of any way of life is prompted by way of the usage of a range of things. (Yonca Gürol, 2006), become aware of three forms of factors: social, person, and environmental. The social issue model examines an entrepreneur's non-public historical past, family historical past, gender, and early stories. The environmental aspect model considers contextual elements which encompass wealth price, tax cut price, career timing, and marketplace conditions. The trait model specializes inside the personality characteristics of entrepreneurs. The trait version assumes marketers have specific traits, values, and attitudes that strain their fulfillment and set them other than others. ((Nishantha, January 2009)

Spending Behavior

Spending behavior is of fantastic controversy inside the national policy-entrepreneurship debate as policy researchers often disagree approximately its value to developing entrepreneurial interest. On the one hand, proponents of the marketplace failure theory suggest that innovation and entrepreneurship should be considered public goods and should get support from the government in the form of

grants, tax breaks, or subsidies, similar to the provision of specific public utilities like clean air and water.. Social spending proponents contend that these regulations encourage people to choose entrepreneurship as a career because they provide safety nets and allow business owners to take calculated risks without worrying about experiencing personal destitution in the event of failure. This argument stems from the idea of market failure.

Spending behavior has never been consistent. It is dynamic and can vary from generation to generation. Students currently play significant roles in aiding the country's economy, and expenditure has been highlighted as a large component of overall consumer spending in Sri Lanka. College students' expenses have been highlighted as a significant portion of overall consumer spending in Sri Lanka. Local community expenditures on college students may be essential since a large number of residential colleges are frequently viewed as major actors in the local economy due to current employment and spending, as well as prospective catalysts for rural economic development.

Kwenda (2020) represent ,a person is classified as a poor spender if he or she has poor discipline in terms of constant spending behaviour. In addition , Researchers (Jamilah Kamis, 2021) said that when spending increases, demand also increases. (Rosmini Ismail) said, this is due to the sudden shock that expatriate students experience from their family members. However , Obagbuwa and Kwenda discovered that students who practice strong financial management spend a greater amount of their money on durable products. Durable goods include products related to education and housing. According to Obagbuwa and Kwenda, this is done primarily for investment purposes. There are various forms of spending habits, including impulse buying, shopping as a basic habit, spending repeatedly on minor products, and neglecting to save.

Ha₁:Spending Behavior of Undergraduates has a relationship with Entrepreneurial Motivation

Saving Behaviour

Savings is only the amount of money that is kept in reserve. Expanded, the term "savings" refers to the amount of disposable income that is not spent on consumer items but is instead saved, invested, or used to pay down a mortgage, acquire capital equipment, or indirectly buy shares. Savings also equates to postponed consumption. Depending on the aim for saving, you can defer current consumption over a short or long time, for example, saving for a fridge can take a number of months, while saving for retirement will take much longer, probably an entire working life (Beal, 2003)

There are variety of preceding authors have talked about that Saving Behaviour is a one of the maximum crucial elements in Financial Behaviour. Saving conduct performs a fundamental function in achieving monetary goals and building wealth through the years (Frederick Kibon Changwony, 2021). Individuals who very own robust saving behaviors are much more likely to accumulate capital and function the crucial property to pursue entrepreneurial possibilities (Rawat, 2023). Despite economic literacy and saving behavior, the circle of relatives has a role in assisting the entrepreneurial intentions. Many researchers “Altinay, Georgescu & Herman and Nguyen” proved that the family unit, as the primary source of socialization, performs a pivotal role in shaping an individual's economic attitudes, ideals, and behaviors and intentions in the course of entrepreneurship.

Some studies show that many college students do not keep a written budget (Ronald P. Voipe, 1996). Besides, female college students would keep budget rather than male college students (Belás, Nguyen, Smrčka, Kolembus, & Cipovová, 2016). consequently, a higher level of financial knowledge shows that a higher level and regular source of income as well as a higher saving rate (Ronald P. Voipe, Personal Investment Literacy Among, 1996).however (Chao C. Chen, 1998) emphases that spending pattern and decision making among the students are predetermined by the kind of pattern and wealth 16 since children from wealthy families tend to have more financially than non-wealth kinds in the developed countries.

Ha₂: Savings Behavior of Undergraduates has a relationship with Entrepreneurial Motivation

Borrowing Behavior

Borrowing is the act of receiving something of value in return for an obligation to repay something of greater value at a future date. Borrowing is the temporary acquisition of money with the intent to repay the amount borrowed (Cull, 2023). Borrowing is the act of present consumption for which a future obligation is formed, usually at a price (interest expenditure).

Borrowing conduct remains an thrilling difficulty in every evolved and growing economies and has drawn several interest among pupils. It is viewed as a combination of customers' and clients' understanding of financial concepts and products as well as their confidence and capacity to recognize financial opportunities and risks and make wise decisions. Financial literacy alternatively is the capacity to make informed judgments and to make powerful choices regarding the use and control of coins (Worthington, 2005), and It enables people to develop their financial literacy and provide themselves the assurance to make wise decisions regarding their pension plans.

The most frequent type of borrowing occurs between a customer and a lending party, typically a financial institution, through a loan or another form of credit, such as a credit card. A loan is a contract between two parties in which one party, the borrower, borrows money from another, the lender, with the expectation of repaying the principal at a future date. The principle is the original amount borrowed from the lending party. The lending party often charges interest (a proportion of the principal) on top of the initial loan amount over time. Interest is the cost of money.

Ha₃: Borrowing Behaviour of Undergraduates has a relationship with Entrepreneurial Motivation.

Investing Behavior

Simply put, investing is the purchasing of financial assets. Investment is the commitment of money or capital to purchase financial instruments or other assets in order to earn a profit in the form of interest, income, or instrument value appreciation. Investment is linked to saving or delaying spending. Investments can be either fixed-income (bonds, deposits, preference shares) or variable-income (equities, property).

They further explain that an investment involves the choice by an individual or an organization such as a pension fund, after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. futures or options), or the foreign asset denominated in foreign currency, that has a certain level of risk and provides the possibility of generating returns over a period of time (Beal, 2003)

When thinking about the global opinion on Investing behaviour Corresponding to the current study, (Mansoor Ahmed Soomro, 2020) investigated the perceptions of sparkling entrepreneurs who aspire to accumulate sustainable corporation in Pakistan. It is based definitely in Cairo, Egypt, and heads the group that gives technical guide solutions for increase orientated small and medium girls organizations. It moreover makes aware of girls contribution in financial sports. Thus, their reason is to provide monetary education on the way to run a hit agencies because girls are taken into consideration appealing clients to dating managers in banks. (Baig H. &., 2021)

Ha₄: Investing Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.

Impact of the Financial Behavior on Entrepreneurial Motivation.

Entrepreneurship is an important matter that has received attention from the government because it can make an extraordinary contribution to the advancement of the economy, expansion of economic potential, and enhancement of societal well-being (Ari Saptono, 2020). Encouraging entrepreneurship is promoted among young people, including students from different universities. Entrepreneurial activities

require sound financial practices for successful business operations. Entrepreneurs with proficient financial management skills encourage the growth of their business. Entrepreneurs with solid financial management skills foster the growth of their businesses. Entrepreneurs must therefore be backed by financial competence, one of which is the financial behavior required of them to manage their businesses successfully (Suparno & Saptono, 2018). Behavioral finance is about how a person makes financial decisions, such as saving, borrowing, investing, and paying off debt. Financial literacy determines an man or woman's potential to manage non-public finances, such as saving, spending, borrowing, budgeting and making an investment to ensure monetary nicely-being and a sustainable general of residing (REMUND, 2010). Studies have additionally proven that people can higher manage their wealth when they have excellent financial expertise and make the right choices on critical financial activities, along with financial savings and future retirement plans (Nesrin Akca, 2018). To make certain economic nicely-being, each character ought to be answerable for coping with their very own non-public finances and broaden an know-how of the trends in the monetary market (Aleš Trunk, 2015). The impact of monetary literacy and financial conduct in entrepreneurial motivation, (Rapina Rapina, 2023) Scholars have claimed that financial literacy has a big effect on college students' monetary behavior and entrepreneurial purpose (Ahmad, 2021).

H₁: Financial Behaviour of Undergraduates has a relationship with Entrepreneurial Motivation

3. METHODOLOGY

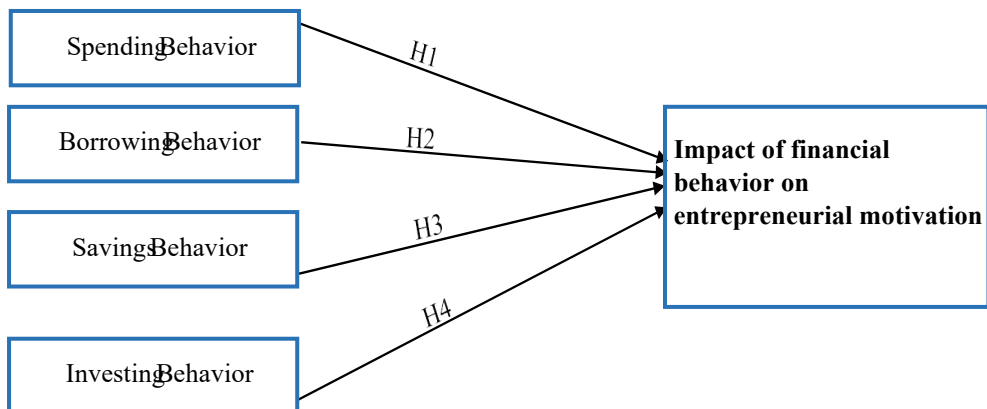


Figure 2: Conceptual Framework

(Source: Author)

- **H1 : Financial Behavior of Undergraduates has a relationship with Entrepreneurial Motivation**
- **Ha1 : Spending Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.**
- **Ha2 : Borrowing Behaviour of Undergraduates has a relationship with Entrepreneurial Motivation.**
- **Ha3: Savings Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.**
- **Ha4: Investing Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.**

Research Philosophy – Positivism is the belief that knowledge is obtained from observable and measurable facts, stressing objective reality. It encourages the use of scientific approaches, such as quantitative data collection and statistical analysis, to find patterns and correlations among variables. Applying positivism to your research entails focusing on visible financial habits (saving, spending, investing, and borrowing) and their measurable impact on entrepreneurial motivation. You want to scientifically measure how these habits affect motivation by gathering data via surveys or questionnaires and analyzing the outcomes with statistical techniques. This method presupposes that reality is steady and can be objectively viewed without being swayed by the researcher's preconceptions or prejudices. It highlights the significance of large sample sizes, reliability, and the generalizability of results

Research Approach - Deductive In this examine, the deductive studies technique might be used. This approach is beneficial and may be implemented empirically to look at the main reasons for the digital literacy hole that exists between senior and beginner accountants. Here, the studies might be making a concerted effort to guide or refute the hypotheses that had been developed based on proof collected from the survey.

Research Strategy Undergraduate Students' entrepreneurial skills were assessed using standardized questionnaires, a research approach that collects records from a large sample, allowing researchers to gather vast data from diverse individuals.

Research Choice -The mono technique is a research method focusing on quantitative findings, particularly numerical ones, to examine digital literacy levels between junior and senior accountants. This qualitative approach uses statistical techniques like SPSS to identify linkages and styles within the data.

Time Horizon - Cross sectional research utilizes published and collected information to investigate specific occurrences at a specific timeframe, utilizing the pass-sectional timeframe to gather data.

Unit of Analysis - The individuals who provide answers to the Statistical Package for the Social Sciences (SPSS) tool will function the unit of evaluation for the look it's situation. With the usage of each descriptive and inferential statistical approaches, SPSS gives a huge range of analytics for qualitative information.

Population & Sampling

Sampling Method - Purposive Sampling

Researcher would conduct this research using purposive sampling method since that would be the most appropriate technique use in qualitative research to select a specific group of individuals for analysis. Participants would be chosen on purpose.

Total population

The group would consist of the students who are in Final year of 03 government Universities and 02 Private Universities.

Sample Size

100 respondents selected from the Sample frame

Data Collection

This study will used fact of an online 5 Point Likert Scale questionnaire. Data collection would done through primary data. Process would be quantitative by providing a questionnaire to the selected sample.

4. DATA ANALYSIS AND RESULTS

This chapter deals with presentation of analyzed data to provide meaningful findings. The data presented and analyzed collected through online survey questionnaire, which collected from the Management Undergraduates in Sri Lanka. This chapter is divided into few parts. In the first part, scale of measurement and the second part, the demographic information of students who responded to the questionnaire has been investigated. The next section inferential statistics investigate borrowing behavior, Savings behavior, spending behavior, Investment behavior and the last section identify the relationship between financial behavior on the entrepreneurial motivation of management undergraduates.

Descriptive Statistics of students participating in courses

This section is reserved to recognize the participation of students in financial courses and entrepreneurship courses. Accordingly, the percentage representation of students

participating in these two courses is represented by figures. Descriptive statistical results related to those results are shown in the table.

Table 4.1: Students participating in courses

Statistics			
		Attended Financial Course	Attended Entrepreneurship Course
N	Valid	100	100
	Missing	0	0
Mean		.76	.67
Median		1.00	1.00
Std. Deviation		.429	.473
Minimum		0	0
Maximum		1	1

The table 4.1 data indicates that a significant majority of participants attended both financial and entrepreneurship courses, with 76% attending the financial course and 67% attending the entrepreneurship course. The medians of 1.00 for both variables suggest that more than half of the participants attended these courses, highlighting a strong overall engagement. The standard deviations (0.429 for financial and 0.473 for entrepreneurship) indicate a moderate spread, showing that attendance rates were consistent among participants.

Reliability Analysis

The study was conducted with 100 management students to analyse the validity and internal consistencies of the scale. Reliability is the consistency and dependability of data collection, ensuring consistent results in research. The reliability value was assessed by utilising

Cronbach's alpha on the scales labelled as borrowing behaviour (BB), savings behaviour (SVB), spending behaviour (SB), investment behaviour (IB) and entrepreneurship motivation (EM). The suggested alpha value of items ranged between 0.71 and 0.99, which are the best level of reliability (Farai Kwenda, 2020).

Table 4.2: Reliability analyses

Reliability Statistics			
Variable	N of Items	Cronbach's Alpha	Strength of Relation
Borrowing behaviour (BB)	7	.947	Excellent
Savings behaviour (SVB)	5	.925	Excellent
Spending behaviour (SB)	8	.739	Acceptable
Investment behaviour (IB)	7	.824	Good
Entrepreneurship motivation (EM)	10	.764	Acceptable

Source: Survey data, 2024

The four sub-variables of borrowing behavior, saving behavior, spending behavior and investment behavior were used to measure financial behavior which is the main independent variable of the research. Cronbach's Alpha values used to measure the reliability values of those variables are 0.947, 0.925, 0.739, 0.824. Cronbach's Alpha value of dependent variable entrepreneurship motivation variable is 0.764. According to the reliability test of the variables, the Cronbach's Alpha value is between ($0.71 < \alpha \leq 0.99$) range, so it is confirmed that the reliability level is in the moral to use in the study.

Inferential statistics

Inferential statistics is a side of statistics that grants researcher to make predictions or inferences about a population based on a sample of data drawn from it. Inferential statistics are used to draw conclusions that extend beyond the immediate data alone. This involves testing assumptions (hypotheses) about a population parameter. Tests include correlation, ANOVA, and regression analysis.

Pearson Correlation Analysis

The Pearson correlation coefficient determines the degree to which the changes in one variable, X (financial behavior), relate to the changes in another variable, Y (entrepreneurship motivation).

Correlation between borrowing behavior, spending behavior, savings behavior, investing behavior and entrepreneurial motivation

Table 4.3: Correlation analysis

		Correlations				
		Spending Behavior	Investing Behavior	Entrepreneurial Motivation	Borrowing Behavior	Savings Behavior
Spending Behavior	Pearson Correlation	1	.693**	.514**	.786**	.740**
	Sig. (2- tailed)		.000	.000	.000	.000
	N	100	100	100	100	100
Investing Behavior	Pearson Correlation	.693**	1	.703**	.542**	.772**
	Sig. (2- tailed)	.000		.000	.000	.000
	N	100	100	100	100	100
Entrepreneurial Motivation	Pearson Correlation	.514**	.703**	1	.497**	.641**
	Sig. (2- tailed)	.000	.000		.000	.000
	N	100	100	100	100	100
Borrowing Behavior	Pearson Correlation	.786**	.542**	.497**	1	.749**
	Sig. (2- tailed)	.000	.000	.000		.000
	N	100	100	100	100	100
Savings Behavior	Pearson Correlation	.740**	.772**	.641**	.749**	1
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	100	100	100	100	100

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

Source: Survey data, 2024

The correlation analysis shows a statistically significant positive relationship between entrepreneurial motivation and borrowing behavior, with a Pearson correlation coefficient of 0.497. This indicates a moderate positive correlation, suggesting that higher borrowing behavior is associated with higher levels of entrepreneurial

motivation among the participants and lower borrowing behavior is associated with lower levels of entrepreneurial motivation among the participants between two variables in either direction (positive or negative). The significance level (p-value) of 0.000, which is below the 0.01 threshold, confirms that this relationship is statistically significant.

The correlation analysis shows a statistically significant positive relationship between entrepreneurial motivation and spending behavior, with a Pearson correlation coefficient of 0.514. This indicates a moderate positive correlation, suggesting that higher spending behavior is associated with higher levels of entrepreneurial motivation among the participants, and lower spending behavior is associated with lower levels of entrepreneurial motivation among the participants between two variables in either direction (positive or negative). The significance level (p-value) of 0.000, which is below the 0.01 threshold, confirms that this relationship is statistically significant.

The correlation analysis shows a statistically significant positive relationship between entrepreneurial motivation and savings behavior, with a Pearson correlation coefficient of 0.641. This indicates a strong positive correlation, suggesting that higher savings behavior is associated with higher levels of entrepreneurial motivation among the participants, and lower savings behavior is associated with lower levels of entrepreneurial motivation among the participants between two variables in either direction (positive or negative). The significance level (p-value) of 0.000, which is below the 0.01 threshold, confirms that this relationship is statistically significant.

The correlation analysis shows a statistically significant positive relationship between entrepreneurial motivation and investing behavior, with a Pearson correlation coefficient of 0.703. This indicates a strong positive correlation, suggesting that higher investing behavior is associated with higher levels of entrepreneurial motivation among the participants, and lower investing behavior is associated with lower levels of entrepreneurial motivation among the participants between two variables in either direction (positive or negative). The significance level (p-value) of 0.000, which is below the 0.01 threshold, confirms that this relationship is statistically significant.

Normality test

A test for normality was carried out to investigate whether the distribution was normal. this study was carried out to determine the level of normalcy by using normal P-P plot. The P-P plot compares the cumulative distribution function (CDF) of the sample data with the CDF of the normal distribution.

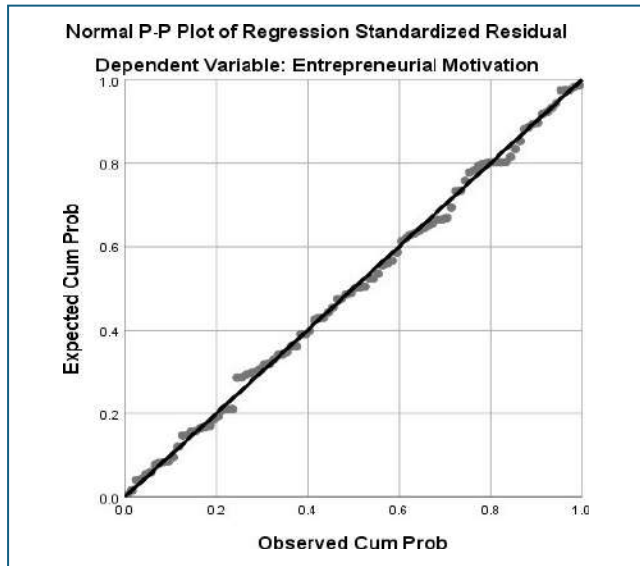


Figure 3 Normal P-P plot

The Normal P-P (Probability-Probability) Plot for the regression standardized residuals shows a nearly straight line, indicating that the residuals follow a normal distribution closely. The plot compares the expected cumulative probability (based on a normal distribution) against the observed cumulative probability of the residuals. This indicates that the model's predictions are generally well-standardized.

Multiple regression analysis

Multiple regression is a statistical approach that simultaneously generates a mathematical connection between two or more independent variables and an interval-scaled dependent variable (Malhotra et al., 2017). Since four sub-variables were analyzed under the independent variables in the research, regression analysis was done for those four variables and for the main independent variable, the financial behavior variable.

Table 4.4 Model summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.726	.528	.508	.24572

a. Predictors: (Constant), Savings Behavior, Spending Behavior , Investing Behavior , Borrowing Behavior

b. Dependent Variable: Entrepreneurial Motivation

Source: Survey data, 2024

The model summary provides key statistics for a regression analysis where the dependent variable is "Entrepreneurial Motivation" and the predictors are "Investing Behavior," "Borrowing Behavior," "Spending Behavior," and "Savings Behavior." The R value of .738 indicates a strong positive correlation between the predictors and the dependent variable. The R Square value of .528 means that approximately 52.8% of the variance in entrepreneurial motivation is explained by the model. The significant F change $p = .000 (<.05)$ shows that the model is statistically significant

Table 4.5: ANOVA

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.411	4	1.603	26.545	.000 ^b
	Residual	5.736	95	.060		
	Total	12.146	99			

a. Dependent Variable: Entrepreneurial Motivation

b. Predictors: (Constant), Savings Behavior, Spending Behavior , Investing Behavior , Borrowing Behavior

Source: Survey data, 2024

The F-Ratio in the ANOVA table test whether the overall regression model is a good fit for the data. The table shows that the independent variables (Investing Behavior, Borrowing Behavior, Spending Behavior, Savings Behavior) statistically significantly predict the depend variable (Entrepreneurial Motivation), $F(4, 95) = 26.545, p=0.000 (<.0005)$. That is the regression model is a good fit of the data

Table 4.6: Coefficients

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Lower Bound	Upper Bound
1 (Constant)	1.632	.244		6.691	.000	1.148	2.116
Borrowing Behavior	.136	.106	.167	1.283	.203	-.075	.347
Spending Behavior	-.137	.119	-.153	-1.148	.254	-.374	.100
Investing Behavior	.449	.094	.575	4.769	.000	.262	.636
Savings Behavior	.154	.117	.186	1.314	.192	-.079	.387

a. Dependent Variable: Entrepreneurial Motivation

Source: Survey data, 2024

Considering the coefficient table, the unstandardized coefficient, B1 for the Borrowing Behavior is 0.136. This means that for each unit increase in Borrowing Behavior, there is an increase in Entrepreneurial Motivation of 0.136 times. The unstandardized Coefficient, B2 for Spending Behavior is -0.137, which means that for each unit increase of Spending Behavior, there is a decrease in Entrepreneurial Motivation of -0.137 times. The unstandardized Coefficient, B3 for Investing Behavior is 0.449, which means that for each unit increase of Investing Behavior, there is an increase in Entrepreneurial Motivation of 0.449 times. The unstandardized Coefficient, B4 for Savings Behavior is 0.154 which means that for each unit increase

of Savings Behavior, there is an increase in Entrepreneurial Motivation of 0.154 times.

Hypothesis testing $Y = 1.848 + (.073)X1 + (-.165)X2 + (.298)X3 + (.338)X4$

Y = Entrepreneurial Motivation

$X1$ = Borrowing Behavior

$X2$ = Spending Behavior $X3$ = Savings Behavior

$X4$ = Investing Behavior

Table 4.7: Hypothesis decisions

No	Hypothesis	Coefficient value	P value	Decision
H1	Financial Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.	.000	.000	Accepted
Ha1	Spending Behavior of Undergraduates has a relationship with Entrepreneurial Motivation.	.254	.000	Rejected
Ha2	Borrowing Behavior of Undergraduates has a relationship with Entrepreneurial Motivation	.203	.000	Rejected
Ha3	Savings Behavior of Undergraduates has a relationship with Entrepreneurial Motivation	.192	.000	Rejected
Ha4	Investing Behavior of Undergraduates has a relationship with Entrepreneurial Motivation	.000	.000	Accepted

5. CONCLUSION

The research focuses on the impact of financial behavior on entrepreneurial motivation among university students in Sri Lanka. It examines borrowing, spending,

saving, and investment behaviors as indicators that can influence entrepreneurial motivation. The study found that high financial behavior leads to increased entrepreneurial motivation, while low financial behavior decreases it.

Borrowing behavior is a key factor in determining financial behavior, as it involves taking money from a group or institution based on repayment. Saving behavior is another crucial element, as it leads to the formation of a need or ability to become an entrepreneur. Borrowing behavior is the act of taking money from a certain group of people or institution based on repayment, which can sometimes cause financial problems. Investment behavior, on the other hand, is influenced by income, profit, and spending amount.

Efficient financial behavior is essential for entrepreneurs to understand their financial responsibilities and budgeting, aiding in effective decision-making and boosting business performance and economic development. The research also confirmed that financial behavior has a positive relationship with entrepreneurship motivation. The majority of undergraduate students in Sri Lanka are aged 21-25 years, with 73% being female and 51% representing this age group. Most students have monthly family incomes between 30000-50000 rupees, while 67% participate in financial courses and gain experience.

The study's findings underscore the importance of introducing entrepreneurship to university students studying higher education in the country. Entrepreneurs can make a significant contribution to achieving their goals and achieving the economic goals of countries in the future competitive economic pattern. University systems should contribute to creating a complete body of university students with theoretical knowledge.

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Factors Affecting Perceived Career Readiness Of Accounting Professionals: Case Of Undergraduates And Graduates

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ABSTRACT

This research addresses the factors affecting the perceived career readiness of accounting professionals, aiming to provide insights for accounting professionals on the factors influencing their career readiness. The study utilized a survey method, primarily using questionnaires to collect data from 250 accounting undergraduates and graduates from private and government universities. The final sample size, after removing outliers, was 247. The study identified that three independent variables significantly affect the career readiness of accounting professionals, while one does not. The study also identified three outliers, reducing the sample size to 247. The results can help accounting professionals shape their qualifications, knowledge, and skills toward career readiness. The study's limitation is that it only considers certain factors without identifying internal and external factors, and it does not account for varying curriculum and educational qualities across universities.

Keywords - Perceived career readiness, Internship experience, Content of degree program, Job information, Professional Qualification, Accounting profession, Existence, Relatedness, Growth

1. INTRODUCTION

The rapid growth of globalization and technological advancements significantly impacts business processes, making efficiency crucial for economic growth and development. In the accounting field, the need for skilled accountants is increasing due to business growth.

2. REVIEW OF LITERATURE

The rapid growth of globalization and technological advancements has significantly impacted business processes, making efficiency crucial for economic growth and development. In the accounting field, the need for skilled accountants is increasing due to business growth. This section reviews the literature on the factors affecting

the career readiness of accounting professionals, focusing on internship experience, content of degree programs, job information, and professional qualifications.

Internship Experience: Internship experience is a critical factor in preparing accounting undergraduates for their careers. According to Hidayah et al. (2023), internships provide students with practical experience, bridging the gap between theoretical knowledge and real-world application. Internships help students develop essential skills, such as problem-solving, critical thinking, and communication, which are crucial for career readiness. Howell et al. (2024) found that students who participated in internships felt more prepared for their careers and had higher levels of confidence in their abilities. The practical experience gained during internships allows students to understand the work environment, develop professional networks, and enhance their resumes, making them more competitive in the job market.

Content of Degree Programs: The content of degree programs plays a significant role in preparing accounting undergraduates for their careers. Elizeabeth J. Muniz; Priya eimerbrink (2018) emphasized the importance of career services provided by educational institutions, such as resume writing workshops, on-campus interviews, and career counseling. These services help students develop the necessary skills and knowledge to succeed in their careers. The curriculum should include a balance of theoretical knowledge and practical applications, allowing students to apply what they have learned in real-world scenarios. Abayadeera & Watty (2014) highlighted the need for accounting programs to incorporate soft skills, such as communication, teamwork, and leadership, to ensure that graduates are well-rounded and prepared for the demands of the profession.

Job Information: Access to job information is essential for accounting undergraduates to make informed decisions about their careers. Hidayah et al. (2023) found that job information, such as job descriptions, required qualifications, and salary expectations, significantly influences students' career readiness. By understanding the requirements and expectations of potential employers, students can tailor their education and skill development to meet these demands. Yaghi & Alabed (2021) emphasized the importance of providing students with accurate and up-to-date job information to help them make informed career choices. This information can be obtained through career fairs, job portals, and networking events, allowing students to gain insights into the job market and identify potential career opportunities.

Professional Qualifications: Professional qualifications, such as certifications from recognized accounting bodies, are essential for career advancement in the accounting profession. LAI et al. (2022) found that professional qualifications enhance students' knowledge and skills, making them more competitive in the job market. Owusu et al. (2018) highlighted the importance of continuous learning and professional development, as the accounting profession is constantly evolving due to changes in

regulations, technology, and business practices. Professional qualifications provide students with the necessary credentials to pursue various career paths, such as auditors, financial analysts, and management accountants. However, this study found that professional qualifications did not significantly impact career readiness, suggesting that other factors, such as practical experience and soft skills, may be more critical in preparing students for their careers.

Conclusion: The literature review highlights the importance of various factors in preparing accounting undergraduates for their careers. Internship experience, content of degree programs, and access to job information significantly impact career readiness, while professional qualifications may not be as influential. Educational institutions should focus on providing students with practical experience, a well-rounded curriculum, and accurate job information to ensure that graduates are well-prepared for the demands of the accounting profession. By addressing these factors, accounting programs can help students develop the necessary skills and knowledge to succeed in their careers and contribute to the growth and development of the accounting profession.

3. METHODOLOGY

This study aims to identify the factors affecting the career readiness of accounting professionals in Sri Lanka, examining variables such as professional qualifications, content of degree programs, university reputation, and job specifications.

The study uses a survey method to collect data from accounting undergraduates and graduates, analyzing the impact of identified factors on career readiness.

The study was conducted among accounting undergraduates and graduates from private and government universities in Sri Lanka.

The participants were accounting undergraduates and graduates.

The study used a survey method, distributing questionnaires to collect data.

The data were analyzed using statistical methods, including reliability tests, correlation analysis, and ANOVA tests.

The study used SPSS for data analysis, ensuring the reliability and validity of the findings.

4. ANALYSIS

The study aimed to identify the factors affecting the perceived career readiness of accounting professionals, focusing on internship experience, content of degree programs, job information, and professional qualifications. Data were collected from

250 accounting undergraduates and graduates, with a final sample size of 247 after removing outliers.

Internship Experience: The findings revealed that internship experience significantly impacts the perceived career readiness of accounting professionals. Most respondents agreed that their skills were developed according to their accounting field through internships. They felt more prepared for an accounting career when they could apply the knowledge gained during their internship period. The practical experience provided by internships helped bridge the gap between academic learning and real-world application, increasing their confidence and readiness for employment.

Content of Degree Programs: The content of degree programs also significantly influenced career readiness. Respondents highlighted that career services provided by universities, such as resume writing workshops, on-campus interviews, and career counseling, were extremely helpful. The curriculum, which included a balance of theoretical knowledge and practical applications, allowed students to apply what they had learned in real-world scenarios. The inclusion of soft skills, such as communication, teamwork, and leadership, was particularly beneficial in preparing students for the demands of the accounting profession.

Job Information: Access to job information was another critical factor affecting career readiness. Respondents indicated that quality job information, including job descriptions, required qualifications, and salary expectations, played a significant role in shaping their career decisions. Accurate and up-to-date job information helped students tailor their education and skill development to meet the demands of potential employers, making them more competitive in the job market.

Professional Qualifications: Interestingly, the study found that professional qualifications did not significantly impact the perceived career readiness of accounting professionals. While professional qualifications are essential for career advancement and provide necessary credentials, other factors such as practical experience and soft skills were deemed more critical in preparing students for their careers.

Summary:

Internship Experience: Significantly enhances career readiness by providing practical experience and bridging the gap between academic learning and real-world application.

Content of Degree Programs: A well-rounded curriculum that includes theoretical knowledge, practical applications, and soft skills significantly prepares students for the accounting profession.

Job Information: Access to accurate and up-to-date job information helps students make informed career decisions and tailor their education to meet employer demands.

Professional Qualifications: Did not significantly impact career readiness, suggesting that practical experience and soft skills may be more critical for career preparation.

5. FINDINGS

1. Internship experience significantly affects the perceived career readiness of accounting professionals.
2. The content of the degree program significantly impacts career readiness.
3. Job information significantly influences career readiness.
4. Professional qualifications do not significantly affect career readiness.

Significance: The study provides valuable insights for accounting undergraduates and professionals, helping them understand the factors influencing their career readiness and guiding them in shaping their qualifications and skills to meet job market requirements.

6. DISCUSSION

Overview with Main Findings: This study aimed to identify the factors affecting the perceived career readiness of accounting professionals, focusing on internship experience, content of degree programs, job information, and professional qualifications. Data were collected from 250 accounting undergraduates and graduates, with a final sample size of 247 after removing outliers. The main findings revealed that internship experience, content of degree programs, and job information significantly impact career readiness, while professional qualifications did not have a significant effect.

Interpretation of Data: The data indicate that practical experience gained through internships is crucial for preparing accounting students for their careers. Internships provide a real-world context where students can apply their academic knowledge, develop essential skills, and gain confidence. This aligns with previous research that emphasizes the importance of practical experience in bridging the gap between theory and practice.

The content of degree programs also plays a significant role in career readiness. A well-rounded curriculum that includes both theoretical knowledge and practical applications, along with career services such as resume writing workshops and on-campus interviews, helps students prepare for the demands of the accounting

profession. The inclusion of soft skills, such as communication, teamwork, and leadership, further enhances their readiness.

Access to accurate and up-to-date job information is another critical factor. Job descriptions, required qualifications, and salary expectations help students tailor their education and skill development to meet employer demands. This information allows students to make informed career decisions and better prepare for the job market.

Interestingly, professional qualifications did not significantly impact career readiness. While these qualifications are essential for career advancement and provide necessary credentials, the study suggests that practical experience and soft skills may be more critical in preparing students for their careers. This finding challenges the traditional emphasis on professional qualifications and highlights the need for a more holistic approach to career preparation.

Applications and Implications: The findings of this study have several practical applications and implications for educational institutions, employers, and students. Educational institutions should focus on providing students with practical experience through internships and a well-rounded curriculum that includes both theoretical knowledge and practical applications. Career services such as resume writing workshops, on-campus interviews, and career counseling should be emphasized to help students prepare for the job market.

Employers should recognize the importance of practical experience and soft skills in hiring decisions. While professional qualifications are essential, employers should also consider candidates' practical experience and soft skills when evaluating their readiness for the job.

For students, the findings highlight the importance of gaining practical experience through internships and developing soft skills. Students should seek out opportunities to gain practical experience and take advantage of career services offered by their educational institutions. They should also focus on developing soft skills such as communication, teamwork, and leadership, which are crucial for career readiness.

Limitations of the Study: While this study provides valuable insights into the factors affecting career readiness, it has several limitations. First, the study was conducted with a sample size of 247 accounting undergraduates and graduates from private and government universities in Sri Lanka. The findings may not be generalizable to other contexts or countries with different educational systems and job markets.

Second, the study relied on self-reported data, which may be subject to bias. Respondents may have overestimated or underestimated their career readiness or the impact of various factors. Future research could use more objective measures of career readiness, such as job placement rates or employer evaluations.

Third, the study focused on four specific factors: internship experience, content of degree programs, job information, and professional qualifications. Other factors, such as personal characteristics, family background, and economic conditions, may also influence career readiness. Future research could explore the impact of these additional factors.

Finally, the study did not consider the potential moderating effects of self-efficacy or other psychological factors. Future research could examine how these factors interact with the identified variables to influence career readiness.

7. CONCLUSION

This study delves into the critical factors influencing the perceived career readiness of accounting professionals, focusing on internship experience, the content of degree programs, job information, and professional qualifications. The findings underscore the importance of practical experience, comprehensive educational content, and access to relevant job information in shaping career readiness, while surprisingly, professional qualifications did not show a significant impact.

Putting the Work into Perspective: In the rapidly evolving landscape of the accounting profession, where technological advancements and globalization are reshaping traditional roles, the ability to adapt and be job-ready is more crucial than ever. This study provides a nuanced understanding of what truly prepares accounting graduates for the workforce. By highlighting the significant role of internships, degree content, and job information, the research shifts the focus from merely obtaining professional qualifications to a more holistic approach to career preparation. This perspective is vital for educational institutions, employers, and students as they navigate the complexities of the modern job market.

The findings of this study are significant for several reasons:

1. Educational Institutions:

- The study emphasizes the need for universities and colleges to integrate practical experiences and comprehensive career services into their curricula. This approach ensures that students are not only academically proficient but also practically prepared to meet the demands of the job market.
- By focusing on the development of soft skills and providing real-world applications of theoretical knowledge, educational institutions can better equip their students for successful careers.

2. Employers:

- Employers can benefit from understanding that practical experience and soft skills are critical indicators of a candidate's readiness for the job. This insight

can inform hiring practices, leading to a more effective evaluation of potential employees.

- Recognizing the value of internships and comprehensive educational programs can help employers identify candidates who are better prepared to contribute from day one.

3. **Students:**

- For students, studying highlights the importance of seeking out practical experiences and developing soft skills alongside their academic pursuits. This balanced approach can significantly enhance their employability and readiness for the professional world.
- Understanding the limited impact of professional qualifications on career readiness can help students prioritize their efforts and resources more effectively, focusing on gaining practical experience and relevant skills.

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Investigating the impact of online learning conditions on the emotional wellbeing of undergraduates

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ABSTRACT

In today's education, there's a growing focus on using interactive teaching methods. Researchers are studying how these methods affect university students' anxiety levels, emotional well-being, and their ability to think critically. University life involves academic pressures, social interactions, and personal growth, all of which can be stressful. Interactive teaching might change how students perceive these stresses and impact their emotions differently. However, there is little research on how online learning conditions impact the emotional well-being of undergraduates in Sri Lanka. This research aims to investigate the specific online learning conditions such as Digital Literacy, Self-determination, and family support on undergraduates' emotional well-being. The study's focus is particularly on how these variables affect students' emotional well-being in an online learning environment. A quantitative research method was employed, with data collected via an online survey from a sample of 384 students from both private and government universities in Sri Lanka. The research adopted a hypothetic-deductive approach, testing hypotheses related to the impact of digital literacy, self-determination, and family support on emotional well-being. The data was analysed using SPSS, with key measures including Digital Literacy, Self-determination, and family support. The results demonstrate significant correlations between Digital Literacy, Self-determination, family support, and the emotional well-being of students. Higher digital literacy and self-determination were found to improve emotional resilience, while strong family support acted as a protective factor against stress. The study's findings suggest that enhancing digital literacy and fostering a supportive learning environment are crucial to improving students' emotional health in online education.

Keywords – Emotional well-being, Digital Literacy, Self-determination, undergraduates

1. INTRODUCTION

Online learning has been around for many years and is also known as e-learning or distance learning. It uses the internet to allow students to learn at their own pace and time. The COVID-19 pandemic accelerated the adoption of online learning worldwide as a necessary alternative to traditional classroom education. Universities quickly implemented online teaching to ensure academic continuity. Lecturers use platforms like Zoom, Webex, Microsoft Teams, and Google Meet to teach, giving students the flexibility to learn from anywhere. Online learning offers benefits such as flexibility in schedule and environment, convenience, accessibility, customization, and cost-effectiveness (Solangi et al., 2018).

Educational and psychological studies have expressed concerns about students' mental well-being during the sudden shift to online learning and lockdowns. Research indicates that students have faced increased levels of stress, anxiety, and depression (Aslan et al., 2020; Odriozola-González et al., 2020; Saravanan et al., 2020; Son et al., 2020), along with heightened negative emotions like fear, worry, and boredom (Aristovnik et al., 2020; Son et al., 2020). Some studies have shown that staying connected with the academic community can help reduce anxiety, depression, and stress (Elmer et al., 2020; Magson et al., 2021; Procentese et al., 2020). While much attention has been given to mental health issues such as depression, stress, and anxiety during the COVID-19 pandemic, there remains a gap in research regarding students' broader emotional experiences. This includes exploring a wider range of emotions and considering positive feelings such as calmness and trust.

This study investigates how undergraduate students' emotional health is affected by online learning environments. Students enrolling in both public and private university programs are the focus. The study, which has a wide target population, is to increase knowledge about the ways in which various educational environments impact mental well-being. Therefore, the following objectives have been developed for this study.

The main objective of the study,

To determine the impact of online learning conditions on the emotional wellbeing of university students

The Specific Objectives of the Study,

- i To determine the impact of digital literacy on emotional wellbeing of undergraduates.
- ii To determine the impact of self-determination on emotional wellbeing of undergraduates.
- iii To determine the impact of family support on emotional wellbeing of undergraduates.

2. LITERATURE REVIEW

Constructivist learning theory is very applicable to the development of digital literacy since it asserts that learners actively create knowledge via their experiences and interactions. According to Jonassen (1994), students who actively engage with technology whether via research, content production, or collaboration improve their capacity to assess information and solve issues. This highlights the need of active engagement for meaningful learning. Furthermore, Vygotsky's (1978) social constructivism emphasizes the value of social connections in the learning process, showing that cooperative online activities where students share resources and information are frequently how digital literacy develops. Problem-based learning, on the other hand, shows how real-world issues may promote digital literacy by challenging students to conduct research and use digital resources to provide answers (Hmelo-Silver, 2004). Constructivism's tenets when taken as a whole support the idea that digital literacy encompasses more than just technical proficiency and calls for critical thinking, teamwork, and active engagement in a digital environment. As mentioned above, the digital literacy variable is clearly mentioned by the constructivist learning theory.

Developed by Edward Deci and Richard Ryan, Self-Determination Theory (SDT) highlights the value of self-determination in promoting psychological development and well-being while concentrating on the underlying motivations underlying human action. Deci and Ryan (2000) state that self-determination, which is essential for developing intrinsic motivation, is the extent to which a person feels in control of their choices and actions. They distinguish three fundamental psychological needs relatedness, competence, and autonomy that are necessary to improve self-determination. Studies conducted in educational settings have demonstrated that students exhibit better levels of engagement and academic accomplishment when they believe their learning environment supports their autonomy (Niemann et al., 2014). According to SDT, self-determination is therefore a basic component of psychological well-being and efficient operation in addition to being a crucial variable for motivating oneself. As mentioned above, the self-determination variable is clearly mentioned by the self-determination theory.

Social Support Theory highlights the significant role that family support plays in an individual's psychological and emotional well-being. Family support encompasses the various forms of assistance provided by family members, including emotional encouragement, practical help, and informational guidance. Research by Cohen and Wills (1985) suggests that family support can act as a protective buffer against stress, enhancing resilience and promoting better mental health outcomes. Furthermore, the work of Johnson et al. (2005) emphasizes that family support is particularly crucial during times of crisis, as it can provide individuals with a sense of belonging and stability. Furthermore, Cutrona and Russell (1990) examine the impact of perceived

family support on coping methods, suggesting that people who consider their families to be supportive are more likely to employ efficacious coping techniques during stressful circumstances. This concept demonstrates that good familial ties are critical for general well-being by highlighting the significance of family dynamics in influencing individual health and coping strategies. As mentioned above, the family support variable is clearly mentioned by the social support theory.

However, it's important to validate these findings in different study contexts. Some studies have shown that students may prefer traditional classroom learning over online learning because they find it less enjoyable. To address this, experts recommend focusing on creating engaging and visually appealing online curriculum. Research indicates that the appearance of online content can impact students' learning experiences. If the design is unappealing or annoying, it can negatively affect the learning process. Therefore, capturing students' attention from the start is crucial. For instance, using emotional design can make learning more enjoyable and foster intrinsic motivation among students. Previous studies have advocated for the use of emotionally engaging designs in learning materials. However, it's essential to re-evaluate these findings among both undergraduate and postgraduate students, as emotional design may not benefit more advanced learners in the same way.

3. METHODOLOGY

This research work adopts a quantitative research design where an online questionnaire was used in collecting data from 384 undergraduate students of public and private universities in Sri Lanka. Data were collected based on a 5-Likert scale with five items assessing emotional well-being, five items concerning the digital literacy, five items concerning self-determination, and five items concerning the level of family support. Data analysis was done on Statistical Package for Social Science (SPSS) software, by employing the correlation and regression analysis, analyse the hypotheses. For this purpose, participants were recruited through snowball sampling techniques to have a pool of undergraduate students from faculty of arts, science, commerce etc. The survey was conducted through Google Forms.

Hypothesis

H₁: There is a significant impact of digital literacy on emotional well-being of undergraduates.

H₂: There is a significant impact of self-determination on the emotional well-being of undergraduates.

H₃: There is a significant impact of family support on the emotional well-being of undergraduates.

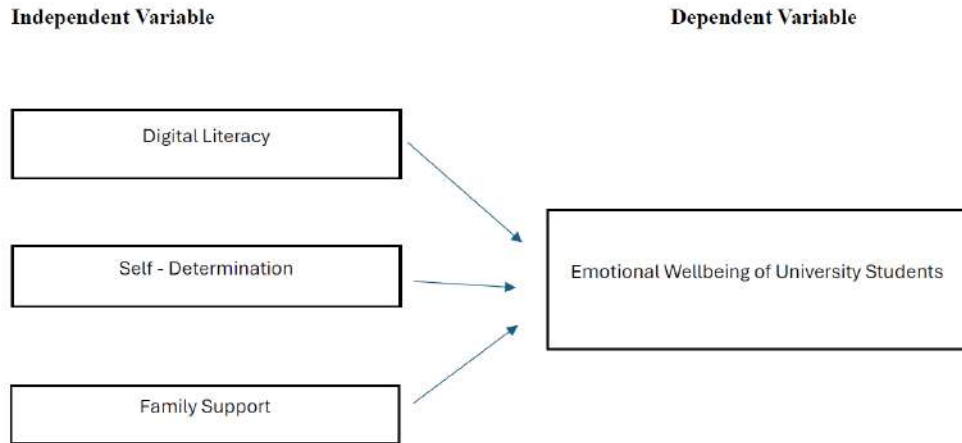


Figure 3.1: Conceptual Framework

4. DATA ANALYSIS

Analyzing respondent profiles is vital for understanding sample characteristics and enhancing findings' generalizability. This study examines demographic data, including gender, age group, education, and type of university with 384 undergraduates and postgraduates in the sample.

Table 4.1: Demographic data analysis (Survey Results)

Demographics	Percentage	Demographics	Percentage
Gender		Age Group	
Female	59%	18-30 years	89%
Male	41%	31-40 years	10.4%
		41-50 years	0.6%
		50 onwards	0%
Education		University type	
Bachelors	90%	Private	61%
Postgraduates	10%	Government	33%
		Semi Government	6%

Table 4.2 depicts the correlation analysis of the research. From the correlation table, the correlation between Digital Literacy & Emotional Well-being of Undergraduates is highly significant a Pearson = 0. 874. This high correlation gives a clear indication

that whenever digital literacy increases there is a corresponding significant increase in the emotional wellbeing of the students. The p-value being below 0.001, indicating that the relationship between the variables is not only statistically significant, but also that the probability of this relationship being due to chance is very low. A coefficient value close to +1 suggests a strong, positive, linear relationship: students with more positive attitudes toward using digital technology in classrooms will have a greater level of emotional well-being.

The Pearson correlation coefficient of 0.867 shows that Self-Determination and Emotional Well-being among Undergraduates are positively correlated. This strong positive association suggests that pupils' emotional well-being improves with self-determination. A p-value < 0.001 shows that this correlation is statistically significant, indicating that the outcome was unlikely by coincidence. High self-determination, encompassing autonomy, competence, and relatedness, improves emotional well-being, according to a correlation value of 0.867, approaching +1. Students who believe in themselves and their studies are more likely to manage stress and stay mentally healthy. This strong association emphasizes the importance of self-determination for online students' emotional well-being.

The correlation table shows that Family Support and Undergraduate Emotional Well-being have a Pearson correlation coefficient of 0.906. Family support improves student mental well-being, as seen by this substantial positive correlation. With a p-value of less than 0.001, this association is statistically significant and unlikely to arise by chance. Family support improves pupils' emotional health, according to a coefficient of 0.906, around +1. This may suggest that family-supported kids can better handle online learning, reducing stress, anxiety, and mental health. This correlation highlights the relevance of a supportive home environment in students' emotional stability during academics.

Table 4.2: Correlation analysis

		Emotional well-being
Digital Literacy	Pearson Correlation	.874**
	Sig. (2-tailed)	.000
Self-determination	Pearson Correlation	.867**
	Sig. (2-tailed)	.000
Family support	Pearson Correlation	.906**
	Sig. (2-tailed)	.000

Further, a regression analysis was conducted to test the previously developed hypothesis, and the results are presented in table 4.3

Table 4.3: Regression model summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>ANOVA Sig</i>
1	0.921	.849 ^a	.841	0.000

a. Predictors: (Constant), Digital Literacy, Self-determination, Family support

The multiple regression analysis assesses the collective impact of digital literacy, self-determination, and family support on the emotional well-being of undergraduates. As depicted in table 4.3 the model demonstrates a robust a positive correlation ($R = 0.921$), with 84.9% of the variance in emotional well-being accounted for by the three variables ($R^2 = 0.849$). The ANOVA validates the model's statistical significance ($F = 78.621$, $p < 0.001$) in table 4.4

Table 4.4: Regression Results

Model	Unstandardized Coefficients		Standardized t	Sig.
	B	Std. Error	Beta	
(Constant)	1.743	.154	11.321	.001
Digital Literacy	.278	.048	.525	.001
Self-determination	.231	.005	.421	.001
Family Support	.305	.04	.581	.001

a. Dependent Variable: Emotional well-being

The statistics indicate that family support exerts the most significant influence ($B = 0.305$, $Beta = 0.581$), succeeded by digital literacy ($B = 0.278$, $Beta = 0.525$) and self-determination ($B = 0.231$, $Beta = 0.421$). All variables strongly predict emotional well-being, as seen by the low p-values ($p < 0.001$ for each). This indicates that although all three aspects influence students' emotional well-being, familial support is the most pivotal, closely followed by digital literacy and self-determination. Collectively, these elements substantially improve students' capacity to navigate emotional difficulties in a virtual learning context.

Table 4.5: Hypothesis testing

HYPOTHESIS	DECISION
H ₁ : There is a significant impact of digital literacy on emotional well-being of undergraduates.	ACCEPT
H ₂ : There is a significant impact of self-determination on the emotional well-being of undergraduates.	ACCEPT
H ₃ : There is a significant impact of family support on the emotional well-being of undergraduates.	ACCEPT

Table 4.5 presents the results of a hypothesis test regarding the characteristics of digital literacy, self-determination, family support, and emotional well-being among undergraduates. There is a positive association between digital literacy and emotional well-being, as indicated by the Pearson correlation coefficient of 0.874 for the first hypothesis (H1). It is determined that the null hypothesis (H0) is not true. Since the Pearson correlation between self-determination and emotional well-being is 0.867, the alternative hypothesis (H2) is accepted while the alternative hypothesis (H0) is rejected. In conclusion, the Pearson correlation coefficient for Hypothesis 3 (H3) implies that there is a stronger connection between emotional well-being and the support of one's family. As a result, the null hypothesis (H0) is considered to be incorrect. It became out that the three hypotheses were correct: The mental health of college students can be improved by self-determination, computer literacy, and support from their families.

5. CONCLUSION

The research focused on exploring the significance of Digital Literacy, Self-Determination and Family Support on the Emotional Well-being of University Students in the context of the learning management system. The COVID-19 outbreak led to the development of the use of online classes which pose a question to students 'emotional health this research aims at identifying factors affecting students' emotional well-being within e-learning context. Using a sample of 384 university students, the study aimed to answer the research question: "What role does a university student's digital literacy, self-determination, and family support play in their emotional health?" Using questionnaire-based questionnaires and statistical tests, the study identified that all three variables, including digital skills, autonomy, and parental care all had positive associations with positive student emotions. The results provided above confirm the hypothesis about the capacity of academic success of the students with the increased level of digital literacy, the higher level of self-determination, and the enhanced family support to cope with stress and regulate the emotions during the online learning process.

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A Comparative Study Investigating The Digital Literacy Of Accounting Professionals

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ABSTRACT

This study investigates the factors affecting on digital literacy among accounting professionals in Sri Lanka, while focusing on the emerging technologies of cloud accounting, artificial intelligence, machine learning, blockchain, and big data. With rapidly changing technology & the globalization the demand from the profession for digitally competent accountants is on the rise, particularly in competencies that support data-driven decision-making and effective digital processes. The paper had measured, through the use of four distinct competency areas of Digital Communication and Collaboration, Digital Security and Privacy, Online Resource Competency, and Digital Information Judgment skills, the differences in the level of digital literacy between new accounting graduates and senior accountants. Quantitative data was collected from 150 accountants using a structured survey through independent sample t-tests to test digital competencies across experience levels. Testing reveals the presence of significant skill gaps between early-career accountants, who often are more apt to new technologies and senior professionals who bring a broad base of experience but may not possess advanced digital fluency. These findings help to identify the necessity for targeted training in order to effectively bridge the digital literacy gaps within organizations and further prepare the accounting workforce for the increasingly digitalized business environment. There are many advantages from this. Through this gap identification, companies would also be able to develop a more digitally competent accounting team, proficient in fully utilizing advanced technologies. This paper contributes to the limited literature on digital literacy of accountants in developing countries, providing practical insights into improvement in digital competency. The study also furthers responsible research through the protection of data privacy and informed consent when conducting digital literacy research.

Keywords: Digital Literacy, Accounting Professionals, Senior Accountants, Early Career Accountants, Digital Content Creation, Digital Sharing Practices, Online Search Competence, Digital Information Judgment.

1. INTRODUCTION

This paper provides an overview of digital literacy among accounting professionals in Sri Lanka, with a special focus on both junior/new employees and senior accountants. With the accounting profession currently progressing with technology at a growth rate that is accelerating by the day, it will be important to take stock of the digital competencies within this workforce. Artificial intelligence, blockchain, and cloud-based accounting are some of the critical tools that modern accountants make use of in treading through today's truly complex business environment. This study researched the difference in the following four key areas of digital literacy: Digital Content Creation, Digital Sharing Practices, Online Search Competence, and Digital Information Judgment, between fresh graduates and senior accountants by identifying these competencies.

The present research focuses on the assessment of knowledge gaps about digital technologies by managers among employees and also on the ways through which such knowledge gaps could be resolved via organizational learning processes, necessary for the further development of digital business competencies. By reviewing such competencies, this research will try to contribute to the development of managerial practice along the axes of both theoretical perspectives and empirical applications. It has also addressed the digital preparedness of the accounting workforce in Sri Lanka and gave valuable insights into shaping the current practices for developing future digital skills.

2. LITERATURE REVIEW

The level of digital literacy of the accounting professionals in Sri Lanka amidst growing technological innovation such as AI, block chain and cloud computing that are revolutionizing accountancy. Over time, the industry has shifted, and it is becoming important for accountants to acquire vigorous digital skills to aid the general functioning of the organizations in which they work. The research focuses on two groups early career accountants (fresh graduates) and senior accountants—to understand their varying levels of digital literacy across key areas: Digital Content Creation (DCC), Digital Sharing Practices (DSP), Online Search Competence (OSC), and Digital Information Judgment (DIJ). This research seeks to help us establish what can be known about these groups concerning their use of digital tools in accounting.

The review of literature shows that use of information technology in accounting practice is vital in the current world where digitally competent accountants can use computers in data management, analysis and decision making. The research employs Digital Divide Theory and Skill Acquisition Theory to account for variation in people's level of knowledge on digital products. All these theories posit that factors such as availability of technology tools, learning, and generation play a significant

role to the digital divide. Studies also reveal that accountants working in technology integrating organizations or exercising under supportive management are normally more computer literate.

This paper uses data from different geographies pointing at the global as well as industry nature of digital literacy divide, where location, industry, experience, and education matter when it comes to digital skills. Even though such aspects have been explored in several nations, there is a scarcity of research exploring these in Sri Lankan settings, let alone distinguishing early career and senior accountants. This lack of localized knowledge is pertinent in determining the digital transformation levels of Sri Lankan accountants and consequently the effective training provisions requisite for island's force.

The findings of the study are intended to help managers recognize the deficit and training opportunity in digital competencies to prepare accountants for digital futures. The absence of these forms of digital media literacy has theoretical implications for the development of digital literacy research in emergent economies, and pragmatic importance in improving the general digital competency of the accounting personnel for which it will have an added value in boosting their productivity and relevance to business development and innovation in the context of a growing digital environment.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

3.1 Conceptual framework

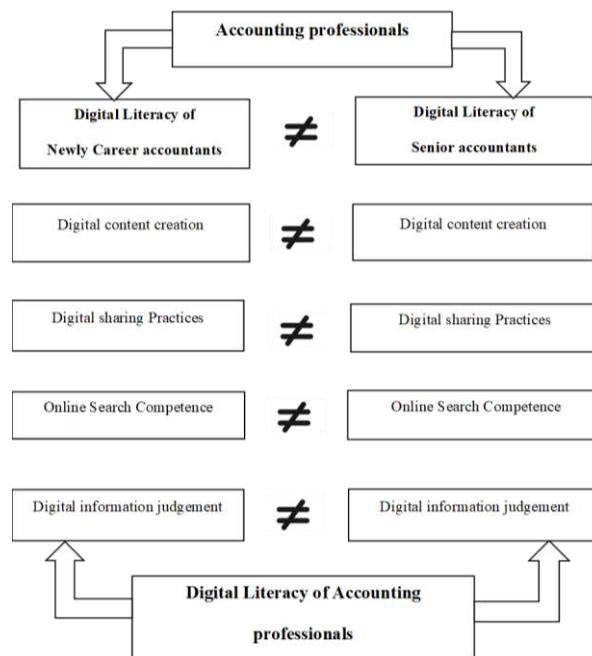


Figure 3.1 Conceptual framework

3.2 Hypotheses

H0: The digital content creation of early career accountants and senior accountants are not equal. **H1:** The digital content creation of early career accountants and senior accountants are equal.

H0: The digital sharing practices of early career accountants and senior accountants are not equal. **H2:** The digital sharing practices of early career accountants and senior accountants are equal.

H0: The online search competence of early career accountants and senior accountants are not equal.

H3: The online search competence of early career accountants and senior accountants are equal.

H0: The digital information judgment of early career accountants and senior accountants are not equal.

H4: The digital information judgment of early career accountants and senior accountants are equal.

4. METHODOLOGY

In this research, competencies in Digital Content Creation, Digital Sharing Practices, Online Search Competence and Digital Information Judgment are highlighted. This research therefore aims at establishing the differences between these two groups of accountants in their use of digital tools and technologies enabled by technological advancement such as; Artificial Intelligence, Cloud Computing and Blockchain within their professional practice. Employing concepts which include the digital divide theory and experience acquisition, the study demonstrates how the mastery of ICT is become an essential tool in performing financial analysis, exchanging data as well as information management in the emerging digital economy business environment.

For the current study, the research employed a cross-sectional research design based on Saunders' research onion. This approach comprises of positivist philosophy and deductive research strategy using hypothesis testing to establish a rating of digital literacy among 100 purposively selected accountants in Sri Lanka's accounting industry. Self-generated questionnaires with items adopting a Likert scale were used to administer a survey on the Internet to both early career and senior accountants. Independent sample t-tests were used and results were analysed using the statistical package of the social sciences – SPSS to compare the results of the two groups in terms of digital competencies.

It is anticipated that key findings are likely to provide details about differences in various dimensions of digital literacy that exist between early career and senior accountants, in light of experience, exposure to technology and organizational support in developing and enhancing one's digital skills. These findings are important for managers who seek to introduce training interventions for staff development to promote organisational leadership skills, increasing productivity and responsiveness. Also, the outcome located the digital readiness of the accountants and hence the firms can enhance the way they operate in the global world that is shifting to be more automated.

The theoretical and applied significance of the study cannot be overemphasized. It builds up the scarce knowledge on digital literacy among the accountants in the developing nations, especially the context of Sri Lankan accountants, and at the same time offer the set of suggestions for enhancing the training of digital skills in the accounting profession. Confidentiality together with informed consent and data privacy features were observed to the highest level that made the study to be ethical and credible.

5. FINDING AND DISCUSSION

The analysis gives an overview of useful insights into digital readiness among accountants in Sri Lanka. The demographic breakdown is indicative of a positive shift towards gender diversity, with males constituting 54.8% and females 45.2% of the total number of respondents. A majority, 41.1%, of respondents are between 20 and 25 years of age and are therefore in a relatively young workforce in the accounting profession. The majority, 56.2%, hold a Bachelor's degree; 22.6% hold a Master's degree, while 21.2% hold professional certifications. Most of the respondents, 95.9%, are willing to adopt digital tools. This presents an industry-wide readiness to integrate such digital practices as cloud-based accounting and data analytics into their practices. Reliability and validity tests were performed to ensure that the measurements taken in this study are robust. All variables returned Cronbach's alpha values greater than 0.9; thus, this test assures high internal consistency. The KMO test showed values of more than 0.8; this means that the sample is adequate enough. The sphericity check, as measured by Bartlett's test, is significant at 0.000, thus justifying factor analysis. The AVE values were greater than the threshold value of 0.5 for all variables, thus indicating satisfactory convergent validity. These tests ascertain the reliability and validity of data that can then, henceforth be used for further analysis.

Descriptive statistics range from very high levels of digital literacy to satisfaction with the accounting profession. With mean scores ranging from 3.75 to 3.82 for DCC, DSP, and AP, the mode of 4.0 from the variables again suggested that the participants

were competent in both digital and accounting skills. Standard deviations less than 1.0, further coupled with a slightly negative S value, imply that the responses provided by participants were consistent and positively aligned; hence, the participants were satisfied with the handling of tasks. Variation in the hypotheses of digital literacy among the independent sample groups, as a function of experience level, was tested using t-tests. The obtained t-values were considerably greater for DCC 8.158, $p=0.000$; DSP 8.610, $p=0.000$. Therefore, younger professionals are likely to be more familiar with digital practices compared to their older counterparts. These findings support the UTAUT, which suggests that digital tools will be more easily adopted by the younger generations, especially Generation Z. This aligns with the growing body of literature suggesting that younger professionals have developed digital literacy, an important enabling skill for modern accounting in the pursuit of effective data management and reporting.

Table 5.1: Reliability Statistics

Variable	Cronbach's Alpha	No. of Parameters	Reliability Level
DCC	0.912	4	Satisfactory
DSP	0.919	4	Satisfactory
OSC	0.933	4	Satisfactory
DIJ	0.928	4	Satisfactory
AP	0.927	4	Satisfactory

Table 5.2: Testing hypothesis

Hypothesis	T Value	Prob.	Result (alternative Hypothesis)
H1	7.432	0.000	Rejected
H2	7.790	0.000	Rejected
H3	7.123	0.000	Rejected
H4	6.703	0.000	Rejected

6. CONCLUSION

The results show that early-career accountants supersede their senior colleagues in the following four important types of digital competencies: online searching, digital

content judgment, creation, and sharing. Indeed, this study confirms that such a generational digital skills divide is existing in Sri Lanka, coherent with theories of generational cohorts and the digital divide that indicate a smoother adaptation to new technology in younger generations than among those who joined the profession earlier. The UTAUT further postulates that personal expectations and social influences have a considerable effect on early-career accountants being more digitally proficient.

These findings have the following important implications: they show that, without appropriate digital competencies, senior professionals may become less competitive in the market. Again, digital literacy impacts something beyond personal skill within an organization-it relates to organizational efficiency, data integrity, and, in a broad sense, to overall service delivery. The study therefore recommends that structured development programs should be implemented for senior accountants, using the identified competencies to bridge the gap. Practical steps may involve workshops, web-based courses, professional certification programs that encourage lifelong learning. Again, business management-led training programs on specific digital skills would help the older professionals keep up to date with an ever-increasingly digital profession. Most of the academic and professional programs in accounting include modules of digital literacy so that the young accountants begin professional life better prepared.

Theoretically, this study places the generational cohort theory, digital divide theory, and UTAUT within the context of the Sri Lankan accounting profession, thereby illustrating that digital literacy disparity is also not just a generational or regional concern but affects the specific professional sector. The said understanding of the divide would help indicate the importance of continuous development in digital skills across career stages along with potential increases in digital adoption within other sectors of Sri Lanka's workforce.

Although this study provides a number of valuable insights, it is clearly limited by its sole focus on Sri Lanka, which may reduce the generalizability of findings to other countries. The extension of this work internationally could be greatly valued for cross-country comparison. Furthermore, more complex digital skills could be examined, and qualitative approaches taken in conjunction with quantitative methods in order to provide an even greater understanding of a digital literacy divide. Longitudinal studies would also show just how this gap differs over time, showing whether it is getting wider or narrower. Such a limitation laid to rest would see future studies go a long way in further elucidation of the role of digital literacy in professional competency and evolution in accountants locally and globally.

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The nexus between sustainable green practices and firm financial performance: a critical perspective of commercial banks in Sri Lanka

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ABSTRACT

This research study analyses the relationship between sustainable green practices and firm financial performance of commercial banks in Sri Lanka. This study especially focuses on three key areas, which are electronic banking (E-banking), socially responsible projects (SRP), and green financing. Globally, in the banking sector, the focus on sustainability is increasing. However, there is a research gap, there is not sufficient research on how those key areas affect Sri Lankan commercial banks' financial performance directly (ROA). The main research question is "What is the relationship between sustainable green practices and firm financial performance: A critical perspective of commercial banks in Sri Lanka." By focusing on the banking environment in Sri Lanka and evaluating the extent to which green practices impact on financial performance, this study contributes to the body of literature. The study used secondary data and quantitative data in the research methodology by referring the annual reports of commercial banks in Sri Lanka. The sample consists of financial data related to return on asset (ROA), and sustainable green practices which include electronic banking, green financing, and socially responsible projects. To analyse the relationship between sustainable green practices and financial performance multiple regression analysis was conducted in this study. To measure the financial performance, this study focused on key variables and their correlation with return on assets (ROA). The findings of this study revealed that E-banking has a statistically significant positive relationship with financial performance (ROA), green financing shows a negative relationship, and socially responsible projects though not statistically significant are essential for long-term brand equity and stakeholder engagement. The data analysis showcased that though green investments lower short-term profits, they offer long-term value in terms of reputation and regulatory compliance. The present study underlines its importance for banks in Sri Lanka to include sustainability in their main business strategies

Keywords - Sustainability, Green Practices, Commercial Banks, Socially Responsible Projects, Return on Assets, Electronic Banking, Green Finances

1. INTRODUCTION

Society is facing different challenges with global warming and climate change. Nowadays people are more concerned about its inherent consequences on human life (Nath et al., 2014). People should work together to protect the environment in a sustainable way. The world is concerned about environmental issues in the global economy. For the development of society, it's not only the government and polluters who are liable but also the financial institutions such as banks play an important role in developing and protecting society (Nath et al., 2014). Sustainable green practices can positively or negatively impact the firm's financial performance (Wijayasinghe, 2020). To achieve sustainable practices there are more initiatives globally. Mainly, there are two main initiatives. According to that, United Nations Environment Programs Finance Initiatives (UNEP FI) and Equator Principals (EPS). The famous financial institutions, when analyzing risk, follow the UNEP FI to improve live operations' sustainability principles through the incorporation of social, environmental, and governance. This initiative is between the UNEP and the financial sector and public & private businesses. To develop and authorize a link between sustainable green practices and financial performance, it was implemented with more than 200 insurance companies, leading banks, and investment funds. The objectives of strategies of environmental defence and prevention of pollution are integrated into industrial activity by the International Organization for Standards (Jameel et al., 2020). Though banking activities and not directly connected to the environment, because of their customers' activities there is a considerable indirect impact. Therefore, banks must incorporate green practices into their operations, financing strategies, investments, and buildings (Nath et al., 2014).

The organization of economics and banking are not directly impacted by ecological deficit is the challenge to stand. Today, due to the rigorous environmental obligations by the environmental supervision authorities across the countries including Sri Lanka, there are indirect cost savings to the banks (Jameel et al., 2020). In addition to that, banks are facing increasing demands from many stakeholders such as investors, customers, and regulators to integrate sustainable green practices into their corporate responsibility initiatives (Scholtens, 2009). In recent years, globally there has been increasing consideration of sustainable green practices within the banking sector. As a developing country, Sri Lanka is at an important stage where the incorporation of sustainable green practices within commercial banks can significantly impact both financial performance and environmental stewardship. Research conducted in different countries has indicated that green banking practices have a positive impact on financial performance (Garg & Gupta, 2021). However, according to the Sustainable Development Goals (SDG) Index (*Sustainable Development Report 2024*, n.d.) Sri Lanka remains behind in adopting these practices, ranking 93rd out of 166 countries with a score of 67.43. Similarly, Sri Lanka does not appear in the top

rankings of the Green Future Index (GFI), (*The Green Future Index 2023 | MIT Technology Review*, n.d.) which indicates a need for more focus on environmental sustainability initiatives. This research aims to address this gap by analyzing the relationship between sustainable green practices and the financial performance of commercial banks in Sri Lanka.

This study aims to provide empirical insights into the connection between sustainable green practices and firm financial performance, particularly in the banking sector. This study addressed the following main research question.

Main Research Question: What is the relationship between sustainable green practices and firm financial performance: A critical perspective of commercial banks in Sri Lanka

Following the main research question, three specific questions addressed this study.

Q.1. What is the relationship between electronic banking (E-Banking) and the financial performance of commercial banks in Sri Lanka?

Q.2 What is the relationship between socially responsible projects and the financial performance of commercial banks in Sri Lanka?

Q.3 What is the relationship between green finances and the financial performance of commercial banks in Sri Lanka?

The main objective of this study is to assess the relationship between sustainable green practices and firm financial performance: A critical perspective of commercial banks in Sri Lanka.

More specifically, the study aims to accomplish the following goals.

1. To assess the relationship between electronic banking (E-banking) practices and the financial performance (ROA) of commercial banks in Sri Lanka.
2. To assess the relationship between socially responsible projects and the financial performance (ROA) of commercial banks in Sri Lanka.
3. To assess the relationship between green finances and the financial performance (ROA) of commercial banks in Sri Lanka.

2. LITERATURE REVIEW

2.1 Theoretical Framework

This literature review aims to critically analyze theoretical frameworks and models, previous research that explores the relationship between sustainable green practices

and the financial performance of firms, financial performance metrics, and sustainable green practices in the banking sector which will relate to Sri Lanka.

The study of (Azzahra et al., 2023) revealed that green banking daily operations have a significant positive impact on profitability (ROA). The result of this study is aligned with the Sustainability theory first introduced by the (Meadows & Randers, n.d.) which to use technology to environmental and social problems by prioritizing social responses. This research concluded that using technology and the internet, the higher the number of green banking operational activities carried out, the bank's profitability will increase. Their findings suggest better financial performance if they integrate more green practices into the financial daily operations of a bank. In the 1990s the Triple bottom line theory was introduced by John Elkington, redefining the idea of business success. According to the triple bottom line theory, businesses should not only focus on financial profitability but also on contributing positively to environment and the society. In the long term, banks can improve overall performance by achieving a balance of triple bottom line (Stankeviciene & Nikonorova, 2014).

The stakeholder theory suggests, that in the decision-making process organization should consider the interest and impact of not only shareholders but also all the stakeholders. The suppliers, customers, employees, communities, and the environment are considered the stakeholders. By addressing the different needs and concerns of stakeholders while creating value for them businesses would be able to ensure long-term sustainability and success of the business according to the stakeholder theory. This theory aligns with the main focus of this study which examines the relationship between sustainable green practices and firm financial performance (Freeman, 2010). Agency theory focuses on the relationship between the manager and the shareholder, and methods of their interests aligned with. When managers focus on short-term profits rather than long-term sustainability the agency problem will arise in the context of commercial banks. By implementing sustainable green banking practices banks can mitigate the agency problem (Shabir et al., 2024). According to the Legitimacy Theory, organizations should always strive to make sure that they are operating within the boundaries and norms of the society in which they are situated (Velte, 2023) According to this concept, businesses must align their operations with stakeholder expectations, including those of consumers, regulators, and the general public, in order to acquire, preserve, or restore their legitimacy.

2.2 Empirical Framework

In the financial sector, the integration of online banking and mobile banking into the banking operation has been a significant innovation. These innovations not only change the delivery of banking services to customers but also how banks meet their objectives for financial success. The study of (Weber & Chowdury, 2020) analyzed

the connection between sustainability performance, financial performance, and corporate social responsibility performance of banks in Bangladesh. The sample of the study was 30 commercial banks in Bangladesh from 2012 to 2016. The results of the study conclude that the incorporation of sustainability increases financial performance and does not harm the profitability of the banks. Further, the study suggests that investing more in sustainable activities will increase financial success. The study of (Ekanayake & Anjalika, 2022) analyzed the effect of financial innovations on the performance of commercial banks in Sri Lanka. Accordingly, 11 domestic listed commercial banks were selected for the sample. The findings were based on published annual reports for 10 years from 2010 to 2019. The financial innovations were represented by the number of ATMs per branch, and the number of users of mobile banking, internet banking, and debit cards, The bank performance is measured by ROE and ROA. The results of the study revealed that the results indicate that the number of ATMs and Internet banking is positively related to ROA. The use of mobile banking has a significant negative effect on both ROE and ROA. In Sri Lanka, traditional financial innovations like ATMs, internet banking, and debit cards are widely used across all banks. The reason for the negative effect is mobile banking has not seen the same level of adoption, with most banks observing limited use during the study period. This suggests that the positive impact of mobile banking is likely to become more significant in the future.

The study of (Okumu, 2014) analyzed the relationship between green banking and the financial performance of commercial banks in Kenya. The study is conducted using secondary data by referring the annual reports of commercial banks in Kenya. The population for the study consists of 43 commercial banks in Kenya as of December 2013. The researcher revealed that there is a positive relationship between online banking and mobile banking which are green banking variables and financial performance variables of capital adequacy and capital liquidity by conducting regression analysis. The study (Li et al., 2017) analyzed the relationship between green initiatives, green performance, and a firm's financial performance in both the manufacturing and service industry sectors. The independent variable is the adoption of green initiatives, and the dependent variables are green performance and financial performance. To conduct the study this study has analyzed top 500 publicly traded companies in the USA by industry sector. The findings of the study revealed that green initiatives have a negative impact on energy productivity and green reputation and that both green initiatives and green performance have a significant impact on financial performance. The findings of the study indicate that the impact of green practices on financial performance is not immediate and may take more than a year for companies to observe.

The study of (Bedi, 2009) analyzed the relationship between Corporate social responsibility and financial performance. To conduct the study 1000 Indian firms

were examined for the financial year of 2007-2008. However, for research purposes, only 37 companies were selected. The independent variable is financial performance (NPAT), while the dependent variable is social expenditure (CSR Exp). The relationship has been measured using correlation and regression analysis. After applying the regression model, the R-square stands at 0.948, which shows a high dependency of social expenditure on financial performance. The results of the study revealed that there is a positive relationship between CSR and the financial performance of the company.

3. METHODOLOGY

This research study philosophy is positivism, which means the study used a quantitative method to analyse the data to provide a causal explanation and to examine the relationship between sustainable green practices and the financial performance of commercial banks in Sri Lanka. The research is based on secondary data collected from the annual reports of nine locally listed commercial banks between 2016 and 2024. This research design is a deductive approach, using the Sustainability theory, Stakeholder theory, Agency theory, and Triple bottom line theory, Legitimacy Theory and testing the relationship between sustainable green practices and the financial performance of commercial banks in Sri Lanka. This research is being executed by gathering secondary data from commercial banks' annual reports. Quantitative data was collected from the annual reports and a panel data set was used for the analysis. This study is being executed by analysing the data of commercial banks in Sri Lanka to analyse the relationship between sustainable green practices and financial performance. Accordingly, eight (8) years, from 2016 - 2024 data was collected. This study focuses on commercial banks in Sri Lanka. The total population consists of 24 listed commercial banks in Sri Lanka. There are 12 locally listed commercial banks in Sri Lanka. (*Licensed Commercial Banks | Central Bank of Sri Lanka*, n.d.) By considering the asset size for the data analysis only nine (9) commercial banks were selected for the sample (Jameel et al., 2020).

3.1 Conceptual Framework and Hypothesis

This study tested three key Hypothesis;

Hypothesis 1 (H1): There is a statistically significant relationship between electronic banking and the financial performance of commercial banks in Sri Lanka. (Jameel et al., 2020)

Hypothesis 2 (H2): There is a statistically significant relationship between socially responsible projects and the financial performance of commercial banks in Sri Lanka. (Bedi, 2009)

Hypothesis 3 (H3): There is a statistically significant relationship between green finances and the financial performance of commercial banks in Sri Lanka.

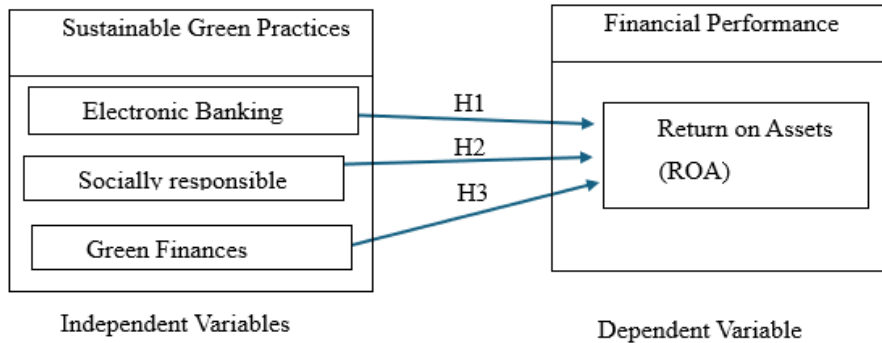


Figure 3.1 Conceptual Framework

3.2 Data Collection and Analysis

The data set used in this study consists of panel data, which consists of 2016 -2024 data of 9 locally listed commercial banks in Sri Lanka. STATA software is used to test the relationship between sustainable green practices and financial performance. Statistical techniques such as descriptive analysis, correlation analysis, normality test, Hausman test, regression analysis, Heteroskedasticity test, and Durbin-Watson test were used in this study.

3.3 Operationalization of Variables

Table 3.1 Operationalization

Variable	Measurement	Reference
Electronic Banking	The amount of funds channeled through Electronic banking.	(Jameel et al., 2020)
Socially Responsible Projects	The amount of expenditure allocated for socially responsible projects	(Bedi, 2009)
Green Finances	The amount of funds invested in green finances	(Rashid & Uddin, 2018)
Financial Performance	$ROA = (\text{Net Income} / \text{Average Total Assets}) * 100$	(Jameel et al., 2020)

Source: Author generated

4. RESULTS

4.1 Descriptive Statistics

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Ebank	72	16.9097	4.210402	8.34284	22.24518
GreenFin	72	13.12164	2.757008	7.872608	17.89057
SRP	72	10.21974	1.274044	7.549609	16.01274
ROA	72	0.0128431	0.0044579	0.0026	0.0256

Source: Author generated using STATA Software

The descriptive statistics show the general trends and variability for the key variables in the study. The mean Return on Assets (ROA) for the commercial banks from 2016 to 2024 was 1.28%, with a standard deviation of 0.45%, indicating moderate variability in financial performance across banks. E-banking has an average value of 16.91 and a wide range from 8.34 to 22.25, indicating considerable diversity in e-banking activities among the banks. The high standard deviation of 4.21 further strengthens this variability. Green financing has a standard deviation of 2.76, a range of values from 7.87 to 17.89, and a mean of 13.12. This suggests that banks have different levels of dedication to green finance projects, as seen by the moderate range in green finance practices. Socially Responsible Projects (SRP) has a mean score of 10.22 with a relatively lower standard deviation of 1.27, indicating less variability compared to the other variables.

4.2 Correlation

Table 4.2 Correlation

Variables	Ebank	GreenFin	SRP	ROA
Ebank	1.0000			
	72			
GreenFin	0.1529	1.0000		
	0.1998			
	72	72		
SRP	0.2448*	0.1264	1.0000	

	0.0382	0.2902		
	72	72	72	
ROA	0.2733*	-0.252	0.1358	1.0000
	0.0202	0.005	0.255	
	72	72	72	72

Source: Author generated using STATA Software

The correlation analysis was conducted to assess the relationship between the independent variables of Electronic Banking, Green Finance, and Socially Responsible Projects and the dependent variable of financial performance (ROA) of commercial banks in Sri Lanka.

The correlation between E-Banking and ROA is 0.2733 with a p-value of 0.0202, It indicates a weak positive relationship between E-Banking and financial performance. That means if the banks' e-banking services are used more frequently their financial performance tends to increase. The correlation between Green Financing and ROA is -0.252 with a p-value of 0.0053. This indicates that there is a negative relationship between Green Financing and financial performance (ROA). That means if the banks invest more in green financing initiatives their financial performance tends to decrease. The correlation between socially responsible projects and ROA is 0.1358 with a p-value of 0.2553. It indicates that there is a weak positive relationship between socially responsible projects and ROA. That means the investment in socially responsible projects does not have a clear impact on financial performance.

4.3 Random-effects GLS regression

Table 1.3 Random effects

R-sq:		Number of obs	72			
Within	0.0938	Number of groups	9			
between						
=	0.6659	Wald chi2(3)	18.5			
Overall =	0.2238	Prob > chi2	0.0003			
ROA	Coef.	Std. Err.	Z	P> z 	[95% Conf. Interval]

	0.000322	0.00012				0.000558
Ebank	2	04	2.67	0.007	0.0000861	2
	-					-
GreenFin	0.000607	0.00017				0.000260
	7	72	-3.43	0.001	-0.0009549	5
	0.000394	0.00039				0.001164
SRP	4	27	1	0.315	-0.0003753	1
	0.011337	0.00440				0.019977
_cons	9	79	2.57	0.01	0.0026986	1
	0.000445					
sigma_u	83					
	0.003943					
sigma_e	51					
	0.012620	(fraction of variance due to				
rho	09	u_i)				

Source: Author generated using STATA Software

The coefficient between E-banking and financial performance is 0.0003222 with a p-value of 0.007. This indicates a positive relationship between electronic banking activities and financial performance. Accordingly, a 1% increase in electronic banking activities will increase 0.032% unit increase in financial performance (ROA). The coefficient between green financing and financial performance is -0.0006077 with a p-value of 0.001. This indicates that there is a negative impact of green financing on ROA. A 1% increase in green financing practices is associated with a 0.0607% unit decrease in financial performance. The coefficient between socially responsible projects and financial performance is 0.0003944 with a p-value of 0.315. This indicates a positive relationship between socially responsible practices and financial performance. Since the p value is higher than 0.05, it indicates socially responsible projects do not directly impact on financial performance.

The R-squared values provide insights, into what extent by the independent variables explain variation in ROA. The "between" R-squared is 0.6659 which means the model explains about 66.59% of the variation in ROA between different banks. The "within" R-squared is 0.0938, indicating that approximately 9.38% of the variation in ROA within individual banks is explained by the model. The "overall" R-squared is 0.2238 which means overall about 22.38% of the variation in ROA is explained by the model. It reflects how much of the total variation in ROA across both time and

banks is explained by the independent variables. The value of σ_u is 0.00044583 which means the standard deviation of the random effects across banks is relatively small. The value of σ_e is 0.00394351 which means the standard deviation of the residuals within banks. The value of ρ is 0.01262 which means the proportion of the total variance in ROA attributed to differences across banks is very low which is 1.26%.

4.4 Diagnostic Test

The chi-squared statistic is 2.00 and the p-value of the test result is 0.5730. This indicates that there is no significant evidence that there is a heteroskedasticity issue in the regression model.

According to the test result, the Durbin-Watson d-statistic is 1.562302 which is relatively close to 2. This indicates that there is no evidence of autocorrelation. This means that the relationship between sustainable green practices and financial performance is reliable.

5. DISCUSSION

This study examines the relationship between sustainable green practices and financial performance of commercial banks in Sri Lanka focusing on electronic banking, green financing, and socially responsible projects. The financial performance is measured using the return on assets (ROA). The findings reveal the relationships between these factors and their implications for long-term sustainability as well as financial success.

The results indicate that electronic banking has a positive and significant impact on financial performance (ROA). This means an increase in electronic banking which includes online banking and mobile banking will increase the financial performance which is measured using return on assets (ROA). In previous research studies findings have supported for these findings. Accordingly, the study of Jameel et al., (2020) analyzed the green banking initiatives and their impact on the financial performance of commercial banks in Pakistan. The study has selected mobile banking and online banking as the independent variables and return on assets (ROA) and return on equity (ROE) as dependent variables. The findings of that research concluded that increasing green banking initiatives increases the financial performance of commercial banks in Pakistan. Further, the study of Sujud & Hashem, (2017) analyzed bank innovation in the field of mobile banking, debit and credit cards, automated machines (ATM), internet banking, point of sale terminals (PST), and electronic funds transfer (EFT) influence on profitability and return on asset (ROA) of Lebanese commercial banks. The findings of this study revealed that bank innovations have a positive impact on profitability and return on assets of Lebanese commercial banks.

The correlation between Green Financing and financial performance indicates that there is a statistically significant negative relationship between Green Financing and ROA. This indicates that an increase in green financing activities correlates with a decrease in financial performance. According to previous research studies, some of the studies support that there is a negative relationship between green financing and financial performance and some studies revealed that there is a positive relationship between green financing and financial performance. Accordingly, the study of Mangwa & Jagongo, (2022) analyzed the relationship between green financing and the financial performance of commercial banks in Kenya. The independent variables of the study are carbon assets financing, environmental credits, and emission allowance and the dependent variables are return on equity, return on assets, and return on investment. The moderating variables are risk modelling & management, and perception trade-off between making a profit and green financing. The findings of this study revealed that green financing positively impacts on the financial performance of commercial banks. Though the findings of the above study revealed that there is a positive relationship between green financing and firm financial performance, the study of Li et al., (2017) revealed that green initiatives have a negative impact on energy productivity and green reputation and that both green initiatives and green performance have a significant impact on financial performance. The results are mixed and vary by industry sector. The findings of the study indicate that the impact of green performance on financial performance is not immediate and may take more than a year for companies to observe.

According to the results, there is a weak positive relationship between socially responsible projects and financial performance and that is not statistically significant. This suggests that investment in socially responsible projects does not have a clear impact on financial performance (ROA). In previous research studies, findings have supported these findings. Accordingly, the study Yusoff & Adamu, (2016) analyzed the relationship between corporate social responsibility (CSR) activities and the financial performance of public listed companies in Malaysia. The findings of the study revealed that there is a mixed correlation between environmental CSR activities and corporate financial performance. While the correlation was positive in the previous years and then the relationship became weak lately for earnings per share and return on equity. This suggests that not all CSR activities are correlated with corporate financial performance. The study of Bedi, (2009) revealed that there is a positive relationship between CSR and the financial performance of the company. However, socially responsible projects do not have a significant impact on ROA according to this study. This suggests that banks may not see the financial benefits of these projects until much later. In the short term, socially responsible projects might not directly contribute to higher profits, but in the long term, they play an important role in shaping a bank's reputation and customer relationships.

6. RECOMMENDATION AND CONCLUSION

The study concludes that sustainable green practices significantly influence the financial performance of commercial banks in Sri Lanka, with key findings providing insights and recommendations for integrating sustainability into banking operations.

According to the findings, the positive relationship between electronic banking and financial performance suggests that banks should continue their investments in digital platforms, especially in online banking and mobile banking. It has been proven that switching to digital banking increases customer satisfaction, lowers expenses, and improves operational efficiency. According to the research by Porfirio et al., (2024) banks that invest in technological facilities typically have improved financial results because of lower transaction costs and greater service delivery.

These findings indicate that although green investments are important for sustainability, they might not generate immediate financial returns. The findings of Li et al., (2017) revealed that green financing projects frequently result in long-term payback periods and lower immediate profit margins due to high initial costs and regulatory compliance expenses. But banks shouldn't be reluctant to invest in green financing projects because of this. Therefore, we can suggest adopting more strategic approaches to these investments. Banks could collaborate with organizations such as international, government, and non-government which provide financial incentives or subsidies for green projects. Additionally, they could offer green bonds, and low-interest loans for renewable energy projects and integrate their strategy with the latest developments in global sustainability while lowering risks (Zhao et al., 2022).

The findings of this study found a positive relationship between financial success and socially responsible projects, even if it was not statistically significant. Although this reveals that socially responsible projects have no direct effect on ROA, they are essential parts of a bank's larger CSR strategy, building goodwill, enhancing relationships with stakeholders, and generating long-term value. Previous research by Fulton et al., (2012) supports this, revealing that while socially responsible investments may not result in immediate financial returns, they are vital for long-term competitive advantage.

When it comes to the limitations of this study, this study on sustainable practices and financial performance in banks has limitations, the overall R-squared value of 0.2238 indicates that only about 22.38% of the variation in financial performance is explained by the model. This suggests that other variables may influence the relationship between sustainable practices and financial performance. Future research should explore factors like corporate governance, risk management, and technological innovation. By adding more factors to the current study, future research might investigate the nexus between sustainable green practices and financial success. Green credit cards, green bonds, green savings accounts, and green

examination accounts are a few examples of these variables. Future research might add to the expanding knowledge of sustainable finance by testing these variables and providing a more thorough understanding of how different green practices impact commercial banks' financial performance (Jameel et al., 2020) Improving data collection quality and scope, including longer time periods and qualitative measures, could yield more robust findings. Additionally, banks should consider improving internal data collection processes to better track the financial and non-financial outcomes of sustainable practices.

In conclusion, this study addressed how important it is for Sri Lankan commercial banks to include sustainable green practices into their daily operations. Overall, the sustainability should be part of banking strategies. Sri Lankan banks can build a more sustainable future and ensure their ongoing relevance and success in a competitive environment by addressing these possibilities and challenges. This all-inclusive strategy will prove to other financial institutions how sustainability and profitability are possible together.

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The Influence of Financial Socialization and Psychological Factors on Young Professionals' Personal Financial Management Behavior.

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ABSTRACT

This study examines the impact of financial socialization and psychological factors on the personal financial management behavior (PFMB) of young professionals in Sri Lanka. As a vital demographic contributing to national economic development, young professionals often encounter challenges in managing their finances effectively. This research explores how financial socialization, through parents, friends, social media, and romantic life partners, along with psychological characteristics such as financial attitudes, financial self-efficacy, financial risk tolerance and emotional intelligence, influence financial behaviors. Addressing a critical gap in literature, the study provides insights into PFMB within Sri Lanka's socio-economic context. A quantitative research methodology was employed, utilizing structured questionnaires to collect data from 333 young professionals in the accounting and finance sectors. The sample was selected through purposive sampling, ensuring the representation of individuals engaged in financial decision-making. Multiple regression analysis was conducted to examine the relationships between financial socialization, psychological characteristics, and PFMB. The findings indicate that financial socialization plays a significant role in shaping PFMB, with parental influence and social media emerging as key factors. Additionally, financial self-efficacy and emotional intelligence were found to positively impact financial behavior. Regression analysis further revealed that emotional intelligence mediates the relationship between financial socialization and PFMB, highlighting the importance of psychological well-being in effective financial management. In conclusion, this study underscores the necessity of integrating financial education that addresses both social and psychological factors to enhance financial management behaviors among young professionals. The findings have significant implications for financial literacy programs and policymaking aimed at strengthening financial decision-making skills in the younger workforce. Future research should consider expanding the sample to other professional fields and exploring additional influences, such as technological advancements and major life events, to develop a more comprehensive understanding of PFMB.

Keywords - Financial Socialization, Psychological Factors, Young Professionals

1. INTRODUCTION

In the wake of global economic crises, financial resilience has become crucial, particularly for young professionals. Effective personal financial management behavior (PFMB) encompasses key aspects such as budgeting, saving, investing, credit monitoring, and risk management. These financial behaviors are critical in ensuring financial behaviour and well-being (Dew & Xiao, 2011; Goyal et al., 2021). Given the increasing reliance on credit, particularly among young adults, financial behaviour is pivotal in preventing negative financial consequences such as debt accumulation, bankruptcy, and insufficient savings (Lusardi & Tufano, 2015; Regmi, 2022).

The COVID-19 pandemic exacerbated financial instability, disproportionately affecting younger professionals who often lack substantial financial reserves and face challenges in navigating economic uncertainties (Berthelot et al., 2020). This demographic, generally defined as individuals aged 25 to 35, is in the early stages of their careers and must develop sound financial management strategies to mitigate financial risks (Tayebi & Fakhr, 2013). In Sri Lanka, economic crises have led to increased inflation and unemployment, further highlighting the necessity for robust financial management behaviors among young professionals (Policy & Rates, 2022).

Despite higher education levels and professional training, young professionals often struggle with financial decision-making due to limited real-world financial experience. Factors such as inadequate financial literacy, a consumer-driven credit culture, and psychological influences significantly impact financial behaviors (Goyal et al., 2023). Psychological factors, including attitudes toward money, financial self-efficacy, and risk tolerance, play a crucial role in shaping financial behaviors. Additionally, financial socialization—where financial habits are influenced by parents, friend, media, and romantic partners, further affects financial decision-making processes (Shim et al., 2010; Safira et al., 2023).

Existing literature highlights a research gap in understanding the interplay between financial socialization, psychological characteristics, and PFMB in developing

countries, particularly in Sri Lanka. While financial literacy interventions have been explored, the impact of financial socialization and emotional intelligence on PFMB remains under-researched (Goyal et al., 2023; Rosales-Pérez et al., 2021). This study aims to bridge this gap by investigating the influence of financial socialization and psychological factors on PFMB among young professionals in Sri Lanka, contributing to the broader discourse on financial behavior in emerging economies.

By analyzing these factors, this research seeks to provide insights that can inform targeted financial literacy programs and policy interventions to enhance financial resilience among young professionals. Understanding these dynamics is crucial for developing strategies that empower individuals to make informed financial decisions, thereby ensuring long-term financial security and economic stability.

2. LITERATURE REVIEW

2.1 Personal Financial Management Behavior (PFMB)

Personal financial management behavior (PFMB) is a crucial aspect of financial well-being, encompassing planning, budgeting, saving, investing, and debt management (Nur Aeni et al., 2024b). Effective financial behavior contributes to financial satisfaction and stability (Sabri et al., 2021). Individuals with sound financial habits are more likely to engage in formal financial markets and make informed financial decisions (Goyal et al., 2023). Poor financial management, on the other hand, can have long-term negative consequences, including financial stress and economic instability (Dewmini et al., 2023). Psychological and behavioral factors play a significant role in financial decision-making, influencing consumption patterns, credit management, and savings behavior. These factors highlight the need for targeted financial education programs that enhance financial literacy and self-regulation (Dewi et al., 2023).

2.2 Financial Socialization

Financial socialization is the process through which individuals acquire financial knowledge, skills, and behaviors from various social influences, including parents,

peers, social media, and educational institutions (Pak et al., 2023). Early exposure to financial concepts through parental guidance has been shown to shape lifelong financial habits, with parental influence being more significant than peer influence in determining financial literacy (Mohammed Esmail Alekam et al., 2018). Social media also plays a crucial role in financial socialization, influencing spending habits, investment decisions, and financial literacy (Anthony et al., 2021). While social media platforms can serve as educational tools for financial awareness, they can also encourage impulsive spending behaviors (Goyal et al., 2023). Peer influence further contributes to financial decision-making, with social networks shaping attitudes toward saving, spending, and investing (Nomlala, 2019). Romantic partners, too, impact financial behaviors, particularly in budgeting and long-term financial planning (Totenhagen et al., 2019).

2.3 Psychological Characteristics in Financial Behavior

Psychological factors, including financial attitudes, self-efficacy, and risk tolerance, significantly impact PFMB. Financial attitude reflects an individual's mindset and judgment about money, influencing their financial behaviors and decision-making processes (Regmi, 2022). Higher financial self-efficacy is linked to better financial management, as individuals with confidence in their financial abilities are more likely to engage in budgeting, saving, and investment activities (Pathirannahalage & Abeyrathna, 2020). Risk tolerance is another critical factor, affecting investment decisions and financial stability. Individuals with a higher risk tolerance are more inclined to invest in volatile assets, whereas those with lower tolerance prefer secure investments (Thuraisingam et al., 2022). Emotional intelligence (EI) also plays a role in financial behavior, as individuals with higher EI demonstrate better financial planning and stress management (Rosales Pérez et al., 2021).

3. METHODOLOGY AND EXPERIMENTAL DESIGN

3.1 Conceptual Framework

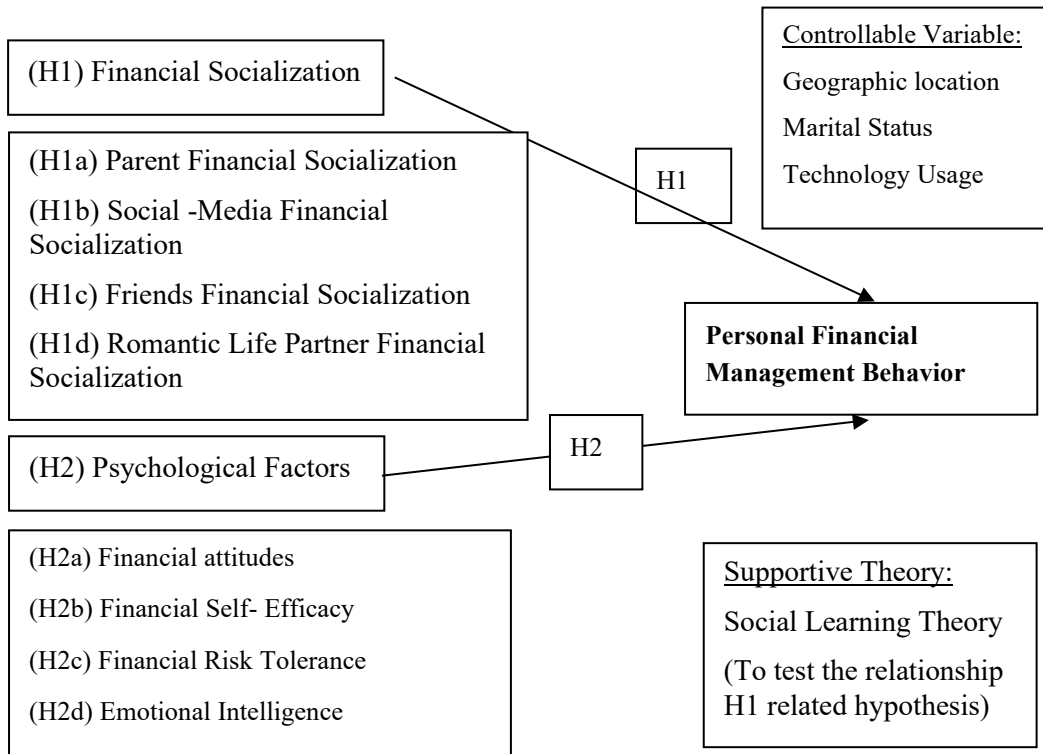


Figure 3.1: Conceptual Framework - Influence on PFMB

This study investigates the influence of financial socialization and psychological factors on personal financial management behavior (PFMB) among young professionals. The conceptual framework integrates financial socialization sources—parents, peers, social media, and romantic partners—and psychological factors such as financial attitudes, self-efficacy, risk tolerance, and emotional intelligence, based on social learning theory.

3.2 Research Design

This study follows a positivist paradigm and employs a quantitative research approach. A cross-sectional research design was adopted to collect and analyze data at a single point in time. This approach enables the assessment of relationships between financial socialization, psychological factors, and PFMB using statistical methods. The study applies a deductive research approach, testing hypotheses derived from existing theories and literature.

3.3 Research Philosophy

This study follows the positivist research philosophy, which assumes that financial behavior can be measured objectively using empirical data. Positivism is appropriate as it employs statistical tools to test hypotheses and establish relationships between independent and dependent variables.

3.4 Research Approach

A deductive approach was employed, where hypotheses were formulated based on social learning theory and tested using empirical data. This approach ensures that findings can be generalized to similar populations and provide theoretical contributions.

3.5 Population and Sampling

The study targets young professionals aged 23–35 working in the accounting and finance sector in Sri Lanka. A purposive sampling technique was used to select individuals with financial exposure, ensuring data relevance. The sample size of 333 participants was determined based on prior research and feasibility considerations.

3.6 Data Collection

Primary data were collected through a structured questionnaire administered electronically. The questionnaire utilized a five-point Likert scale (1 = Strongly

Disagree, 5 = Strongly Agree) to assess financial socialization, psychological attributes, and PFMB. A pilot study with 45 respondents was conducted to ensure reliability, with Cronbach's alpha value exceeding 0.7 for all constructs.

3.7 Data Analysis

Data was analyzed using SPSS software. The analysis included: descriptive statistics, Pearson correlation analysis, multiple regression analysis, and reliability testing.

4. RESULTS

4.1 Descriptive Analysis

The study analyzed financial socialization and psychological factors affecting personal financial management behavior (PFMB) among young professionals in Sri Lanka. The sample consisted of 333 respondents, with a balanced gender distribution (53.45% female, 46.55% male). The majority (49%) were aged 23-27, followed by 28-32 (26%) and 33-35 (25%). Employment distribution showed that 59% were in full-time employment, 23% in part-time roles, and 18% in internships. Income levels varied, with the Rs. 20,000–Rs. 50,000 range being the most common (25%), while 21% of respondents earned over Rs. 110,000.

4.2 Testing the Reliability of the Scale

Cronbach's alpha values confirmed strong internal consistency across all constructs, with values exceeding the recommended threshold of 0.7. The highest reliability scores were observed for financial self-efficacy (0.905) and parental financial socialization (0.913), indicating robust measurement consistency. All eight independent variables demonstrated acceptable reliability, with Cronbach's alpha values ranging from 0.79 to 0.905. These findings affirm that the measurement scales used for financial socialization and psychological factors are statistically reliable and suitable for further analysis.

Table 4.1 Summary of Reliability Test

Variable	Cronbach' Alpha	Reliability	Conclusion
Parent financial socialization	0.774	0.774 > 0.7	Reliable
Friends financial socialization	0.898	0.898 > 0.7	Reliable
Romantic life partner financial socialization	0.890	0.890 > 0.7	Reliable
Social media financial socialization	0.800	0.800 > 0.7	Reliable
Financial attitudes	0.839	0.839 > 0.7	Reliable
Financial self-efficacy	0.844	0.844 > 0.7	Reliable
Financial risk tolerance	0.712	0.712 > 0.7	Reliable
Emotional intelligence	0.784	0.784 > 0.7	Reliable
Personal financial management behavior	0.870	0.870 > 0.7	Reliable

Source: Author's construction (Note: N=333)

4.3 Correlation Analysis

Pearson correlation analysis demonstrated moderate positive relationships between PFMB and financial socialization sources (parents: $r = 0.516$, friends: $r = 0.586$, social media: $r = 0.582$, romantic partners: $r = 0.571$). Psychological factors also exhibited significant positive correlations with PFMB, with financial self-efficacy ($r = 0.599$) and financial attitudes ($r = 0.572$) being notable contributors.

4.2 Summary of Correlation Analysis Table

Independent variable	Person Correlations	Sig, value ("P")	Conclusion
Parent financial socialization	0.516	0.000	moderate positive relationship
Friends financial socialization	0.586	0.000	Moderate positive relationship
life partner financial socialization	0.571	0.000	Moderate positive relationship

media financial socialization	0.582	0.000	Moderate positive relationship
Financial attitudes	0.572	0.000	Moderate positive relationship
Financial self-efficacy	0.599	0.000	Moderate positive relationship
Financial risk tolerance	0.581	0.000	Moderate positive relationship
Emotional intelligence	0.569	0.000	Moderate positive relationship

Source: Author's construction (Note:N=333)

4.4 Testing for Assumptions

4.4.1 Testing for Normality

The normality test showed that the data approximates a normal distribution, as evidenced by the P-P plot and supported by skewness and kurtosis values. This confirms the validity of the regression analysis, allowing acceptance of the normality assumption.

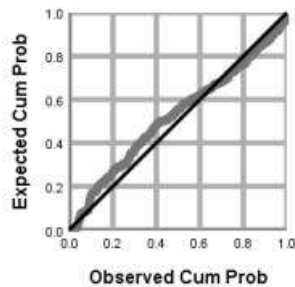


Figure 4.1: Normal p-p plot of Regression

4.4.2 Testing for Multicollinearity

Multicollinearity was assessed using VIF and Tolerance levels, with VIF values between 1.76 and 2.64 (well below 10) and all tolerance values above 0.2, indicating no multicollinearity issues. This confirms the reliability of the regression model.

Table 4.3 Summary of Multicollinearity Analysis Table

Independent variable	Tolerance Level	VIF
Parent financial socialization	0.554	1.806
Friends financial socialization	0.568	1.760
Romantic life partner financial socialization	0.419	2.389
Social media financial socialization	0.488	2.049
Financial attitudes	0.379	2.640
Financial self-efficacy	0.443	2.259
Financial risk tolerance	0.424	2.361
Emotional intelligence	0.495	2.021

4.4.3 Testing for Heteroscedasticity

Heteroscedasticity was confirmed through scatter plots of standardized residuals, showing no discernible pattern, which indicates consistent variance across all levels of independent variables and validates the equal variance assumption.

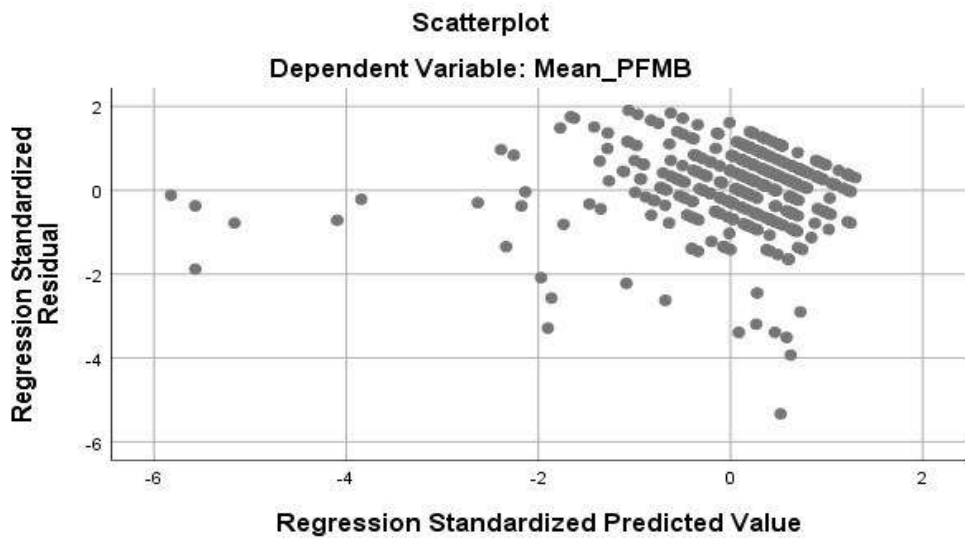


Figure 4.3: Scatter Plot of Heteroscedasticity

4.4.4 Testing for Autocorrelation

The Durbin-Watson statistics (1.667) confirmed no autocorrelation in the residuals, as it falls within the acceptable range of 1.5 to 2.5, ensuring the independence of observations.

Table 4.4 Summary of Autocorrelation Table

Model	Durbin-Watson
Regression Model	1.667

4.5 Regression Analysis

4.5.1 Coefficient test

Based on the multiple regression analysis conducted in the study, the following table presents the coefficients for each independent variable and their significance in predicting Personal Financial Management Behavior (PFMB).

Table 4.5 Summary of Coefficient Table

Independent Variable	Beta	P Value	Decision
Parent financial socialization	0.15	0.001	Ho Rejected
Friends financial socialization	0.12	0.002	Ho Rejected
life partner financial socialization	0.20	0.011	Ho Rejected
Social media financial socialization	0.14	0.000	Ho Rejected
Financial attitudes	0.19	0.113	Ho Rejected
Financial self-efficacy	0.18	0.001	Ho Rejected
Financial risk tolerance	0.16	0.038	Ho Rejected
Emotional intelligence	0.17	0.003	Ho Rejected

Ho: There is no Significant relationship

H1: There is a significant relationship

4.5.2 Model Summary

The Model Summary analysis reveals that 72.7% of the variation in personal financial management behavior is explained by the independent variables, as indicated by an R-squared value of 0.727. The Adjusted R-squared value is 0.714, showing minimal difference, suggesting the model is stable and not overfitting. Overall, the model demonstrates a strong and reliable fit, with reasonable explanatory power, making it appropriate for research.

Table 4.6 Summary of the Model Summary Table

R Square	Adjusted R Square	Significant
0.727	0.714	0.000

5. DISCUSSION

This study examines the influence of financial socialization agents (parents, friends, social media, and romantic partners) and psychological factors (financial attitudes, self-efficacy, risk tolerance, and emotional intelligence) on the personal financial management behavior (PFMB) of young professionals in Sri Lanka. The findings confirm that all eight independent variables significantly impact PFMB, aligning with prior literature while highlighting contextual nuances.

Financial Socialization Factors

Parental financial socialization emerged as a significant predictor of PFMB, reinforcing previous research (Nabavi, 2014; Shim et al., 2010). Parents shape financial habits through direct instruction and observational learning, fostering financial literacy and responsible decision-making. However, excessive parental control may hinder financial independence (Buccioli & Veronesi, 2014).

Peers also exert a strong influence on financial behavior, as young professionals often mirror their friends' financial habits (Isomidinova et al., 2017; Goyal et al., 2023).

While peer influence can encourage positive financial behaviors, it can also promote impulsive spending and debt accumulation (Nomlala, 2019).

Social media plays a dual role in financial socialization. While it exposes individuals to financial advice and investment opportunities (Faturuhman et al., 2024), it also encourages excessive consumption through aspirational lifestyle portrayals (Goyal et al., 2023). Our findings support both perspectives, indicating that social media's impact is shaped by content exposure and financial literacy.

Romantic partners significantly influence financial behavior, with shared financial goals fostering responsible management (Serido et al., 2015; Mao et al., 2017). However, financial conflicts within relationships can negatively impact financial decisions, particularly when partners have divergent financial priorities (Totenhagen et al., 2019).

Psychological Factors

Financial attitudes strongly correlate with PFMB, as individuals with positive attitudes towards saving and budgeting demonstrate better financial discipline (Regmi, 2022; Waranyasathid & Htin, 2020). However, financial knowledge and literacy are necessary to translate positive attitudes into effective financial behaviors (Garg, 2021).

Financial self-efficacy also plays a crucial role, with individuals displaying higher confidence in their financial abilities exhibiting better financial management (Goyal et al., 2022). Nonetheless, excessive confidence may lead to risky financial decisions, highlighting the need for a balanced approach (Pathirannahalage & Abeyrathna, 2020).

Risk tolerance positively correlates with investment engagement and financial performance (Thuraisingam et al., 2022). However, our findings align with Mutlu

(2022), suggest that excessive risk tolerance may lead to financial instability, particularly during economic fluctuations.

Emotional intelligence (EI) was found to enhance financial management by improving decision-making and stress management (Asandimitra & Kautsar, 2019; Rosales Pérez et al., 2021). Higher EI enables individuals to navigate financial challenges more effectively, reinforcing its role in financial well-being.

6. IMPLICATIONS OF FINDINGS

6.1 Theoretical Implications

This research contributes to the peer influence theory by highlighting the significant role that peers play in shaping the financial behaviors of young professionals. The findings suggest that financial behaviors are strongly influenced by peer networks, particularly in the context of social media. This extension of the peer influence theory reflects the growing impact of digital peer interactions and social media platforms on financial decision-making. The results provide evidence that social media, as a modern form of peer interaction, has become an increasingly important factor in the financial behaviors of young professionals.

Additionally, the research supports the theory of self-efficacy, underscoring the importance of financial self-efficacy as a determinant of personal financial management behavior. The findings suggest that individuals with higher levels of financial self-efficacy are more likely to engage in responsible financial practices. This emphasizes the mental and psychological components of financial decision-making, reinforcing the notion that confidence in one's ability to manage finances is a crucial factor in achieving positive financial outcomes.

6.2 Practical Implications

From a practical standpoint, the findings suggest several important considerations for financial institutions and educational organizations. The significant influence of peer

networks and social media on financial behavior calls for initiatives that leverage these channels to foster healthier financial habits. Financial institutions could consider collaborating with financial influencers and peer-led initiatives to promote responsible spending and saving behaviors, especially on digital platforms. Furthermore, incorporating peer-based financial education programs in workplaces and universities can capitalize on the power of peer influence, encouraging healthier financial practices among young professionals.

Although parental influence on financial behavior was found to be significant, its impact was less pronounced compared to peers and social media. This suggests that financial education programs for young adults should not only target the family unit but also address broader socialization influences, such as peers and social media networks. Engaging these external factors in financial literacy efforts could promote more effective and widespread adoption of responsible financial behaviors.

Moreover, financial literacy programs targeted at younger audiences can benefit from utilizing popular social media platforms. These platforms offer an accessible way to communicate financial principles in an engaging and relatable manner, using content that resonates with young professionals. Digital content can help convey messages about wise financial practices in ways that are both entertaining and informative.

Finally, the study's findings suggest that emotional intelligence plays a significant role in effective financial decision-making. Employers could consider introducing programs designed to enhance emotional intelligence among young professionals, helping them better manage financial stress. By providing emotional tools to cope with financial challenges, these programs can improve individuals' confidence and resilience, ultimately fostering more balanced and informed financial decisions.

7. CONCLUSION AND REFLECTION ON FUTURE RESEARCH.

This study successfully achieved its primary objectives, shedding light on the psychological and socialization factors that influence personal financial management

behavior (PFMB) among younger professionals. The analysis revealed that psychological factors, notably financial self-efficacy and emotional intelligence, have significant positive correlations with PFMB. These findings highlight the importance of individual psychological traits in shaping financial behaviors, with financial self-efficacy emerging as the strongest determinant. Additionally, the study explored the role of financial socialization factors, such as social media, romantic partners, and peers, which also showed substantial impacts on PFMB.

The research underscores the critical role of self-efficacy in financial decision-making, particularly in budgeting, saving, and investing. Social media and romantic partners were identified as important external influences, shaping financial behaviors through exposure to financial information and advice. These results offer valuable insights for both academic research and practical interventions aimed at improving financial literacy and management among younger professionals.

While the study has contributed to understanding the interplay of psychological and socialization factors on PFMB, there are several avenues for future research. Further studies could expand the sample size to include a more diverse demographic, examining the influence of cultural and socioeconomic factors on financial behaviors. Longitudinal research would be beneficial to explore the stability of these relationships over time and assess the long-term impact of psychological and socialization influences on financial outcomes. Additionally, future research could explore the impact of digital financial tools and technologies on PFMB, especially given the growing role of fintech and mobile applications in shaping financial decision-making.

In conclusion, this study contributes to the growing body of knowledge on the psychological and social factors affecting financial behaviors, offering insights that can inform both theoretical frameworks and practical interventions aimed at improving financial management practices in younger professionals.

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Exploring Green Banking Awareness: Evidence from Private Banks Customers in Sri Lanka

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ABSTRACT

Green banking is a new concept in where banks shift their investment strategies to focus on sustainable technologies and environmentally friendly initiatives. Banks in Sri Lanka are also currently undertaking green banking initiatives with new technology. The purpose of this research is to explore the determinants affect to the customer awareness about green banking in Sri Lankan private banks. It tries to examine the individual's awareness of green banking practices as adopted by the banks. This study is an exploratory research. There were 385 responses were obtained using convenience sampling technique. This is a Quantitative research and questionnaire was used to collect primary data from the respondents. SPSS software used to analyze the collected data. Environmental Concern, Social Influence, Perceived Effectiveness and Information Exposure are the independent variables of this study and Green Banking Awareness is the dependent variable. Those independent variables were commonly used variables in previous research studies related to the Green Banking. According to the research findings, Social Influence, Perceived Effectiveness and Information Exposure were significantly influenced to the Green Banking Awareness of the customers in Sri Lankan Private Banks and Environmental Concern was not influenced to the Green Banking Awareness of the customers in Sri Lankan Private Banks..

Keywords - Green Banking Awareness, Information Exposure, Perceived Effectiveness,

1. INTRODUCTION

Green banking is a new concept where banks shift their investment strategies to focus on sustainable technologies and environmentally friendly initiatives (Shaumya, 2016). Green financing in banking industry means using and promoting environmentally friendly banking activities and practices and reducing carbon footprint from day-to-day banking activities (Schultz, 2010). There are so many green banking products introduced by banks such as green mortgage, green credit cards and money market accounts at online banks instead of large multi-branch banks (Schultz, 2010). On other hand, this green banking take the efforts to encourage environmental friendly investments and green banking practices are smart way to achieve future sustainability (Kumar, 2018). In Sri Lanka, banking sector is begun to implement the

green banking concept in 2013. In present Among the 25 licensed commercial banks and 7 licensed specialization banks in Sri Lanka, only few domestic commercial banks are formally initiated this green banking concept in private sector banks such as Commercial bank PLC, Hatton National Bank, Sampath Bank PLC, Seylan Bank PLC and etc. (Shaumya K, 2016). As green banking is rapidly improving in developing countries like Sri Lanka, now there is a dire need to adopt green banking practices to save the environment and its resources and bring several benefits to their business/investment. Thus, we need to understand the awareness of the customers regarding green banking. In this context the analysis is focused analysing the Sri Lanka private bank customers awareness towards current green practices in those banks in Sri Lanka. Further, at Sri Lankan context, there are very limited number of studies have been initiated towards green banking (Fernando, 2016; Shantha, 2019; Shaumya, 2016).

General Research Question

What are the determinants which affect to the customer awareness about green banking in Sri Lankan private banks?

Specific Research Objectives

- To identify the extent to which Environmental concern affects to the customer awareness about green banking in Sri Lankan private banks.
- To identify the extent to which Social Influence affects to the customer awareness about green banking in Sri Lankan private banks.
- To identify the extent to which Perceived Effectiveness affects to the customer awareness about green banking in Sri Lankan private banks.
- To identify the extent to which Information Exposure affects to the customer awareness about green banking in Sri Lankan private banks.

2. LITERATURE REVIEW

According to Islam (2020), today green banking is becoming a global standard for socially and environmentally acceptable business operations. Green banking, often referred to as ethical financial services, is a broad term that refers to environmentally friendly as well as socially responsible banking activities (Goyal, 2011). Green banking helps in overall reduction of external carbon emissions and internal carbon footprint (Chen, 2021). Banks can reduce carbon footprints in their day-to-day operations by adopting measures such as paperless banking, energy consciousness, green building, go online, paper saving, use of solar and wind energy (Chaurasia, 2014). Green banking acts as an ideal measure to increase operational efficiency, reduce financial fraud and reduce banking costs (Biswastrum, 2011). In this way,

green banking can be defined according to the research done by researchers in Sri Lanka as well as other countries and according to their opinions.

Ellahi (2021) examined the individual's perception and response to the green practices as adopted by the banks. This research explored the association between green banking awareness and customers and concluded that green banking is influenced by an individual's age, gender, occupation and characteristics of sustainable banking practices. According to Catherin (2022), which examined the customers' awareness on Green Banking products as well as ascertained the type of bank with Green Banking products awareness found that the most knowing green banking method for the customers in their selected district is online banking. According to Arora (2019), the age of individuals was identified as a major factor affecting the awareness of consumers towards green banking. Also, the level of technological efficiency of individuals affects the customer's awareness of the use of online banking. According to the suggestion of Thomas (2018) banks should take initiatives to create awareness of green banking among the customers through publishing advertisements and relevant details in banks websites. Therefore in literature it is mostly the demographic factors which has found as correlated with Green Banking awareness rather than determinants.

2.1 Environmental Concern

Environmental concern refers to the extent to which people living in society are aware of environmental problems related to the environment and their willingness to support efforts to solve them (Dunlap, 2002). According to Kautish (2018) environmental concern influences consumers' green product purchase decisions or behavior towards green products . Accordingly, the following hypothesis is proposed.

H₁: Environmental Concern has a significant influence on Green Banking Awareness.

2.2 Social Influence

Social Influence means how the individual is influenced by the other parties in society to use green banking practices (Platonova et al., 2018). According to the Yaseen (2018) social influence strongly affects E-banking and new banking technologies intension to use. In addition, public perception of green banking can be significantly influenced by factors such as celebrity endorsements. Therefore, the following hypothesis is proposed.

H₂: Social Influence has a significant influence on Green Banking Awareness

2.3 Perceived Effectiveness

Perceived Effectiveness is individual's perception of the extent to which individuals' actions can make a difference in solving environmental problems or improving the

environment (Sánchez, 2017). In these ways most of the previous researchers used perceived effectiveness as a variable when they studied green banking. So in here as an exploratory study, author selected perceived effectiveness to check whether how it affect to the green bank awareness of the private banks' customers and the following hypothesis is proposed.

H₃: Perceived effectiveness has a significant influence on Green Banking Awareness

2.4 Perceived Effectiveness

This is the amount and way the individuals are exposed to information or messages about something. It helps individuals to solve problems, take decisions as well as provide advice (Md, 2023). Exposure to information about green banking can create a sense of environmental responsibility in individuals and thus encourage individuals to actively participate in sustainable practices (Bose, 2018). Here, the following hypothesis is proposed to examine how information exposure affects to the green bank awareness of the private banks' customers in Sri Lanka.

H₄: Information Exposure has a significant influence on Green Banking Awareness.

3. METHODOLOGY

This research is an exploratory study. This is quantitative research, so the philosophy is positivism and used deductive. Also used mono method because here only used quantitative data. Time horizon was cross sectional because this research is done during a specific period. Here an individual private bank customer was the unit of analysis, and 385 private bank customers are used based on Morgan table and convenient sampling. For the measurement scale of variable used five scale likert scale questionnaire. The study mainly used SPSS software for data analysis. Based on the literature review the conceptual framework below is proposed.

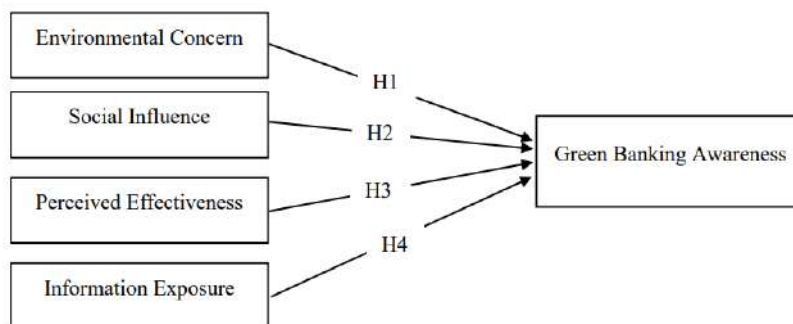


Figure 3.1: Conceptual Framework

4. DATA ANALYSIS

The data analysis is completed using descriptive analysis for demographic data, correlation analysis and the regression analysis for hypothesis testing. According to the descriptive analysis the sample profile was analyzed using age, gender, employment status and monthly income.

Table 4.1: Demographic data analysis (Survey Results)

Demographics	Percentage	Demographics	Percentage
Gender		Age Group	
Female	42%	Below 20 years	20%
Male	58%	20 - 25 years	30%
		25 - 29 years	13%
		30 onwards	37%
Employment status		Monthly Income	
Employed	69%	Less than 20,000LKR	17%
Unemployed	31%	20,000 – 40,000LKR	15%
		40,000 – 60,000LKR	37%
		60,000 – 80,000LKR	21%
		80,000 Above	10%

Table 4.2 depicts the correlation analysis of the research. Green banking Awareness and Environmental Concern is having a weak positive relationship of 46.7%. Social Influence and Green Banking Awareness is having moderate positive relationship of 53.7%. Perceived Effectiveness and Green Banking Awareness is having moderate positive relationship of 56.5%. Green Banking Awareness would increase. Information Exposure and Green Banking Awareness is having moderate positive relationship of 60.4%.

Table 4.2: Correlation analysis

		Green Banking Awareness
Environmental Concern	Pearson Correlation	.467**
	Sig. (2-tailed)	.000
Social Influence	Pearson Correlation	.537**

	Sig. (2-tailed)	.000
Perceived Effectiveness	Pearson Correlation	.565**
	Sig. (2-tailed)	.000
Information Exposure	Pearson Correlation	.604**
	Sig. (2-tailed)	.000

According to table 4.3, when considering R square value, the R square value is 0.447 or 44.7%. That means 44.7% of the variation in Green Banking Awareness (dependent variable) can be explained by the independent variables of Environmental Concern, Social Influence, Perceived Effectiveness and Information Exposure. It shows moderately good fit for prediction of GBA.

Table 4.3: Regression model summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>ANOVA Sig</i>
1	0.669	.447 ^a	.441	0.000

a. Predictors: (Constant), Environmental Concern, Social Influence, Perceived Effectiveness, Information Exposure

The multiple regression analysis assesses the collective impact of Environmental Concern, Social Influence, Perceived Effectiveness and Information Exposure on the Green Banking Awareness. The ANOVA validates the model's statistical significance ($F = 76.819$, $p < 0.001$).

Table 4.4: Regression Results

Model	Unstandardized Coefficients		Standardized t Coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	.765	.108	7.119	.001
Environmental Concern	.093	.048	.098	.052
Social Influence	.116	.050	.128	.021
Perceived Effectiveness	.194	.046	.231	.001
Information Exposure	.333	.054	.335	.001

a. Dependent Variable: Green Banking Awareness

H₁ - Environmental Concern has a significant influence on Green Banking Awareness.

Environmental Concern significance value is greater than 0.05. Because it is 0.052. ($0.05 < 0.052$) Therefore, the null hypothesis is not rejected. H1 is rejected.

H₂ – Social Influence has a significant influence on Green Banking Awareness. According to the regression results in table 4.4, for Social Influence variable significance value is lesser than 0.05. Because it is 0.021. ($0.05 > 0.021$). Therefore, the null hypothesis is rejected. H2 hypothesis is accepted.

H₃ – Perceived effectiveness has a significant influence on Green Banking Awareness. According to the regression results in the table 4.4, for Perceived Effectiveness significance value is lesser than 0.05. Because it is 0.001. ($0.05 > 0.001$) Therefore, the null hypothesis is rejected. H3 is accepted.

H₄ – Information Exposure has a significant influence on Green Banking Awareness. According to the regression results in above table, for Information Exposure significance value is less than 0.05. Because it is 0.001. ($0.05 > 0.001$) Therefore, the null hypothesis is rejected. H4 is accepted.

5. CONCLUSION

The main objective of this study is to explore the determinants affect to the customer awareness about green banking in Sri Lankan private banks. For the Green Banking there were several models tested in previous literature. But there is not any specific model. So, that's why the author took the concepts from literature to test this model. These variables are commonly used variables in previous research studied related to Green Banking. Then the author created a conceptual framework by using those variables taken from prior literature. In terms of Green Banking Awareness of Private Banks customers in Sri Lanka, an according to their responses it identified that out of selected variables only three variables have significant impact for the Green Banking Awareness. Which is Social Influence, Perceived Effectiveness and Information Exposure and one variable has not significant impact for the Green Banking Awareness and it is Environmental Concern. When compare to the Information Exposure other variables have low significant impact to the Green Banking Awareness. Information Exposure has the 33.5% of highest impact to the Green Banking Awareness. But the R square value is less than 50%, which means there are some other variables that impact the Green Banking Awareness of customers in Sri Lankan Private Banks. So when doing future research on this topic in Sri Lanka, that authors can identify those factors which has not been identified in this research. Since there was a very limited time frame for this study, it was not possible to collect data from a very large sample. Therefore, the sample was limited to 385 of Private Bank

Customers. Therefore, if a larger sample is taken in future studies under this topic, it will help to get a better outcome than this.

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Role of Financial Literacy in Increasing Fin-Tech Adoption: A Study on Gen Z Consumers in Sri Lanka

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ABSTRACT

This study investigates the role of financial literacy in enhancing fintech adoption among Gen Z consumers in Sri Lanka. With the growing influence of fintech globally, understanding its acceptance within this demographic, especially in developing countries, is crucial. Using the Technology Acceptance Model 3 (TAM3), the research focuses on key factors such as perceived usefulness, ease of use, and behavioral intention to use fintech. Data was collected from 156 respondents through an online questionnaire and analyzed using correlation and multiple regression techniques. The findings indicate that financial literacy has a significant positive impact ($\beta = 0.394$, $p < 0.05$) on fintech adoption, particularly through perceived usefulness and ease of use. Other factors like subjective norms and facilitating conditions were less impactful. These findings highlight the need for fintech firms and policymakers to design targeted financial literacy programs to improve digital financial inclusion among young consumers. Future research could examine the role of trust, security concerns, and digital literacy in fintech adoption (Agarwal et al., 2021; Kumar et al., 2022).

Keywords - Financial Literacy, Fintech, TAM3, Behavioral Intention to Use

1. INTRODUCTION

1.1 Background of the Problem

Financial technology (fintech) has significantly transformed financial services globally by enhancing accessibility and efficiency. Generation Z (Gen Z), born into a digital era, is well-equipped to adopt fintech, especially in developing economies like Sri Lanka, where traditional banking services may be limited. While fintech adoption is rapidly growing worldwide, its success depends heavily on financial literacy, particularly in developing economies where digital banking penetration is still evolving. According to the Central Bank of Sri Lanka (2022), only 32% of Gen Z individuals actively use fintech services, despite high smartphone penetration. This highlights the importance of financial literacy in bridging the gap between technological access and adoption.

1.2 Problem Statement

Although fintech adoption is growing globally, Sri Lanka lags behind due to limited financial literacy. Existing studies (Mehrotra & Menon, 2021; Abu Daqar et al., 2021) have not specifically examined the extent to which financial literacy impacts fintech adoption among Gen Z in Sri Lanka, creating a gap that this study seeks to address. Additionally, factors such as digital trust and regulatory frameworks have not been adequately explored in the Sri Lankan context, necessitating further research (Perera & Wijesooriya, 2019).

1.3 Research Questions

- What is the influence of financial literacy on the adoption of fintech among Gen Z consumers in Sri Lanka?
- What are the key factors, according to TAM3, that affect fintech adoption among Gen Z in Sri Lanka?
- How do different aspects of financial literacy (e.g., budgeting, investment knowledge) influence fintech adoption among Gen Z in Sri Lanka?

1.4 Research objectives

- To examine the impact of financial literacy on fintech adoption among Gen Z consumers in Sri Lanka.
- To identify the key TAM3 factors (perceived usefulness, perceived ease of use, subjective norms, and facilitating conditions) influencing fintech adoption among Gen Z in Sri Lanka.
- To develop recommendations for financial literacy programs that can improve fintech adoption among Gen Z in Sri Lanka

1.5 Significance of the Study

This study expands on previous research by applying the TAM3 model to fintech adoption in a developing economy context, contributing empirical evidence to financial technology literature. Understanding the specific needs and preferences of Gen Z can help design effective financial education programs and develop fintech products tailored to this demographic. Findings from this study can help specific stakeholders, such as the Central Bank, fintech startups, and educational institutions, in formulating policies to enhance financial literacy and digital financial inclusion (Fernando & Wickramasinghe, 2022).

1.6 Scope of the Study

The study is limited to Gen Z consumers in Sri Lanka, defined as individuals born between 1995 and 2012 (Twenge, 2017). It employs a quantitative research approach, using a structured questionnaire based on the TAM3 framework to collect data from this demographic. This focus on Gen Z is particularly relevant due to their fluency with digital technologies and distinct financial behaviors compared to older generations, providing a contemporary perspective on fintech adoption (Bassiouni & Hackley, 2014). Gen Z is the most digitally connected generation and is expected to drive future fintech adoption trends. However, their financial literacy levels remain relatively low compared to global benchmarks (Ranasinghe, 2023). While the study is limited to Gen Z, future research could compare adoption rates between different generations to understand generational differences in fintech adoption and financial literacy levels.

2. LITERATURE REVIEW

2.1 Financial Literacy

Financial Literacy Financial literacy is defined as the ability to understand and utilize various financial skills, including personal financial management, budgeting, and investing (Huston, 2010). Its importance has grown in the modern economy, where individuals face increasingly complex financial decisions. Lusardi and Mitchell (2014) stress that financial literacy is critical for retirement planning and financial management, a view echoed by Huston (2010), who highlights a positive relationship between financial literacy and improved financial behavior. Financial literacy also plays a crucial role in fintech adoption. For instance, Potrich, Vieira, and Kirch (2015) found that individuals with higher financial literacy are more likely to adopt financial technologies. Kumar, Prakash, and Kumar (2022) support this, showing that financial literacy significantly influences young adults' intention to use fintech, particularly in developing economies, including Sri Lanka.

Despite global emphasis on financial literacy, studies suggest that Sri Lanka still struggles with low financial literacy rates, particularly among younger demographics (Central Bank of Sri Lanka, 2022). Limited awareness of financial tools and inadequate exposure to digital financial services hinder fintech adoption among Sri Lankan Gen Z consumers. Financial literacy enhances perceived usefulness by helping individuals understand fintech benefits, thereby increasing adoption rates (Kumar et al., 2022). Additionally, financial literacy fosters confidence in using fintech services, reducing perceived risks and promoting active engagement with digital financial solutions.

2.2 Financial Technology (Fintech)

Fintech refers to the innovative use of technology in the delivery of financial services, offering more accessible, efficient, and user-friendly options (Gomber, Koch, & Siering, 2017). Its adoption is especially high among Gen Z, a generation known for their digital fluency (Deloitte, 2020). In Sri Lanka, however, fintech adoption faces challenges such as low financial literacy and trust in digital services. Weerasinghe and Jayasinghe (2021) argue that targeted financial literacy programs and transparent fintech solutions can significantly boost adoption rates among Gen Z. Furthermore, addressing cultural preferences and concerns about the security of fintech services is critical to increasing adoption in Sri Lanka (Fernando & Wickramasinghe, 2022).

While global fintech adoption has surged, Sri Lanka's fintech sector remains underdeveloped, with only 32% of young consumers actively using digital financial services (Weerasinghe & Jayasinghe, 2021). The Central Bank of Sri Lanka has taken steps to regulate fintech operations, including introducing digital banking frameworks and strengthening cybersecurity measures to protect consumers. However, regulatory gaps still exist, particularly in areas such as data privacy and consumer protection, which may impact user confidence and slow adoption rates (Jayamaha & Mendis, 2021). Addressing these regulatory challenges and enhancing fintech policies could play a pivotal role in increasing fintech adoption among Gen Z consumers in Sri Lanka.

2.3 Technology Acceptance Model 3 (TAM3)

TAM3, developed by Venkatesh and Bala (2008), provides a comprehensive framework for understanding technology adoption by incorporating additional factors such as perceived usefulness and ease of use, which directly influence behavioral intention to adopt technology. TAM3 extends earlier models by introducing social influences such as subjective norms and the perceived image associated with using technology (Venkatesh & Bala, 2008). Applied to fintech in Sri Lanka, this model helps explain the role of factors like job relevance and facilitating conditions in driving fintech adoption among Gen Z. For example, fintech adoption is positively impacted when users perceive technology as enhancing their social status or professional life.

Financial literacy enhances perceived usefulness by helping individuals understand fintech benefits, thereby increasing adoption rates (Kumar et al., 2022). Individuals with higher financial literacy levels are more likely to perceive fintech as a useful and efficient financial management tool, reducing uncertainty and increasing behavioral intention to use such platforms. Moreover, financial literacy can mitigate concerns related to trust and security,

further strengthening the facilitating conditions necessary for fintech adoption (Fernando & Wickramasinghe, 2022).

Recent studies on TAM3 applications in fintech adoption also emphasize the importance of financial education in shaping perceived ease of use and behavioral intention. For instance, Chong et al. (2022) found that young consumers with higher financial literacy demonstrate stronger fintech adoption tendencies due to increased confidence in using digital financial services. Similarly, Nathan et al. (2023) highlight that targeted financial literacy programs significantly enhance fintech adoption rates by improving users' ability to assess the benefits and risks associated with such technologies.

2.4 Customer Behavior in Financial Environment

Customer behavior in the financial environment is shaped by a range of personal, economic, and psychological factors. Personal factors such as age, preferences, and educational level influence how consumers engage with financial products (Kingsthorpe & Thalmann, 2020). In Sri Lanka, younger consumers are more inclined to adopt digital financial services due to their convenience (Fernando & Wickramasinghe, 2022). Economic conditions also play a role, with factors like inflation rates and income levels affecting financial decision-making (DoN et al., 2020). Lastly, psychological elements such as risk perception and confidence in financial institutions also influence fintech adoption, as seen in the growing trust in digital services among Sri Lankan consumers.

3. METHODOLOGY

3.1 Research Design

This study employs a deductive research design, which is suitable for testing existing theories. The study adopts the technology acceptance model 3 (TAM3) as the foundational framework, particularly focusing on the role of financial literacy in fintech adoption among Gen Z consumers in Sri Lanka. The deductive approach allows the researcher to narrow down from general theories to specific hypotheses, making it ideal for empirical testing (Saunders et al., 2019).

TAM3 incorporates both cognitive and emotional factors influencing technology adoption, making it particularly relevant for studying Gen Z's fintech adoption behavior (Venkatesh & Bala, 2008). Compared to other models such as the Unified Theory of Acceptance and Use of Technology (UTAUT) and the Diffusion of Innovations (DOI) model, TAM3 provides a more comprehensive understanding of the psychological and external factors influencing fintech adoption. Its inclusion of

perceived usefulness, ease of use, social influence, and facilitating conditions makes it particularly suited for assessing Gen Z's attitudes toward fintech adoption.

3.2 Research Approach

A quantitative research approach was used for this study. Quantitative methods involve the systematic collection and analysis of numerical data, which are ideal for measuring relationships between variables such as financial literacy, perceived usefulness, and fintech adoption. Data was gathered through a structured questionnaire distributed to Gen Z consumers in Sri Lanka. This approach allows for objective analysis and generalizable results (Creswell & Creswell, 2018; Field, 2018).

A qualitative approach was not included due to the study's focus on measuring statistical relationships between variables rather than exploring subjective experiences. The aim of this study was to quantify the extent of factors influencing fintech adoption, and therefore, the structured questionnaire format was deemed more suitable for obtaining the necessary numerical data to answer the research questions effectively.

3.3 Research Philosophy

The study is grounded in positivism, a research philosophy that supports the use of scientific methods to study observable phenomena. Positivism emphasizes empirical observation, hypothesis testing, and objective data analysis. This aligns with the deductive and quantitative research design of the study, aiming to test TAM3-related hypotheses in a value-free, unbiased manner (Collis & Hussey, 2013; Gill & Johnson, 2010).

3.4 Research Strategy

The primary data collection tool for this research was a questionnaire. Questionnaires are efficient for collecting standardized data from large samples. The questionnaire was designed around the key constructs of the TAM3 model, including perceived usefulness, ease of use, social influence, and behavioral intentions, measured on a Likert scale. This method facilitates the collection of data across a geographically dispersed population and enables hypothesis testing (DeVellis, 2017; Dillman et al., 2014).

The survey was administered online via Google Forms, ensuring broader accessibility among tech-savvy Gen Z respondents and allowing for efficient data collection. A pilot test was conducted with a small sample of 20 respondents from the target population to assess the clarity and relevance of the questionnaire items. Based on the feedback received, minor modifications were made to the wording of a few questions

to enhance clarity and ensure that respondents fully understood the items. These revisions helped improve the overall reliability and validity of the questionnaire.

3.5 Conceptual Framework

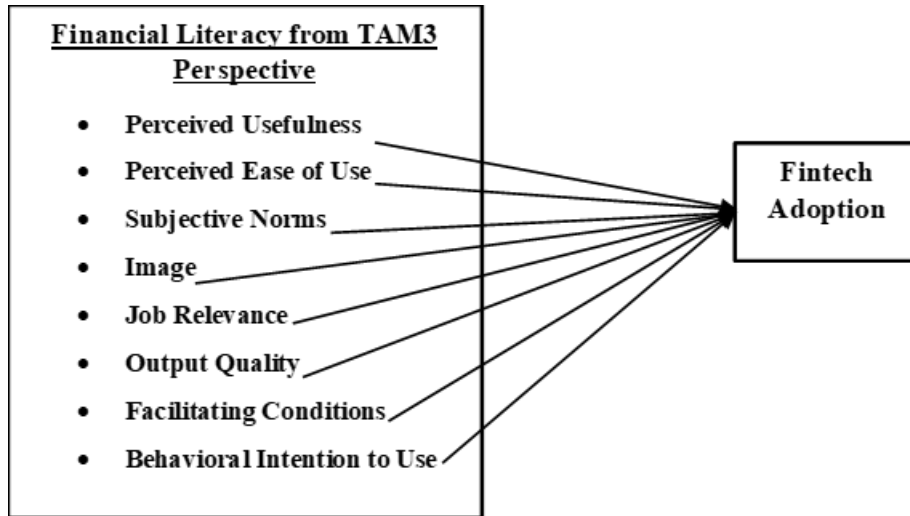


Figure 01: Conceptual Framework

3.6 Hypotheses

H₁: Perceived usefulness has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka.

H₂: Perceived ease of use has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₃: Subjective norms have a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₄: Image has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₅: Job relevance has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₆: Output quality has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₇: Facilitating conditions have a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

H₈: Behavioral intention to use has a significant impact on fintech adoption among Gen Z consumers in Sri Lanka

3.7 Population, Sample, Data Collection & Analysis

The study targets Gen Z consumers in Sri Lanka, defined as individuals born between 1995 and 2012, with a population of approximately 5.15 million (Sri Lanka Department of Census and Statistics, 2023). A convenience sampling method was used to collect 156 valid responses, which is below the recommended 384 for a 95% confidence level. A post-hoc power analysis confirmed that the sample size still provides adequate statistical power. Though convenience sampling limits generalizability, efforts were made to ensure diversity in gender, education, and fintech usage experience. Data was collected via an online questionnaire based on the TAM3 model and pre-tested for clarity. SPSS was used for data analysis, employing descriptive statistics, correlation analysis, and multiple regression. A significant level of 0.05 was used for hypothesis testing.

04. DATA ANALYSIS AND RESULTS

4.2 Demographic Analysis

Table 1: Demographic Factors

Demographic Variable	Category	Frequency	Percentage %
Gender	Male	75	48.1
	Female	81	51.9
Age	Age 12 - 19	20	12.8
	Age 20 - 24	74	47.4
	Age 25 - 29	62	39.7
Education	High School	8	5.1
	Undergraduate	64	41
	Graduate	69	44.2
	Postgraduate	15	9.6
Occupation	Student	24	15.4
	Employed	105	67.3

	Self-employed	17	10.9
	Unemployed	10	6.4
Location	Western Province	27	17.3
	Central Province	11	7.1
	Southern Province	23	14.7
	Northern Province	12	7.7
	Eastern Province	19	12.2
	Northwestern Province	20	12.8
	North Central Province	19	12.2
	Uva Province	14	9
	Sabaragamuwa Province	11	7.1

The consolidated demographic table presents a comprehensive overview of a sample of 156 respondents across various characteristics. In terms of **gender**, the sample is nearly balanced, with 48.1% identifying as male and 51.9% as female. The **age distribution** shows that the majority fall within the 20-24 age range (47.4%), followed by those aged 25-29 (39.7%) and a smaller segment aged 12-19 (12.8%). Regarding **education**, a significant portion holds graduate degrees (44.2%), while undergraduates constitute 41%, and only a small percentage have completed high school (5.1%) or postgraduate studies (9.6%). The **occupation data** indicates a strong employment trend, with 67.3% employed, 15.4% students, and a minimal number self-employed (10.9%) or unemployed (6.4%). Finally, the **location distribution** reveals that respondents are primarily from the Western Province (17.3%), followed by the Southern (14.7%) and Northwestern (12.8%) Provinces, with varying representation from other regions. Overall, this table highlights the diverse characteristics of the sample, showcasing significant educational attainment and employment among the participants.

4.2 Descriptive Analysis of Dependent Variable & Independent Variables

Table 2: Descriptive Analysis

Variable	Mean	Standard Deviation	Range	Scale
Perceived Usefulness	3.92	0.75	1-5	Likert Scale
Perceived Ease of Use	4.1	0.68	1-5	(1=Strongly
Subjective Norms	3.85	0.7	1-5	Disagree to

Image	3.95	0.77	1-5	5=Strongly Agree)
Job Relevance	4	0.72	1-5	
Output Quality	3.88	0.76	1-5	
Facilitating Conditions	3.9	0.75	1-5	
Behavioral Intention to Use	4.15	0.67	1-5	
Fintech Adoption (DV)	4.05	0.7	1-5	

Perceived Usefulness (PU): Respondents rated fintech as moderately useful in enhancing productivity and improving their financial management.

Perceived Ease of Use (PEU): Fintech is generally seen as easy to use, similar to other common online activities (like online shopping), which positively influences adoption.

Subjective Norms (SN): Social influences, such as peers and family members, moderately impact respondents' decisions to adopt fintech, although a significant portion remains neutral.

Image (IM): Fintech is viewed positively in terms of status and modernity, with a notable impact on social reputation and how tech-savvy users feel.

Job Relevance (JR): Fintech's role in professional tasks and career advancement is rated fairly high, with many agreeing it supports their work.

Output Quality (OQ): The perception of fintech providing high-quality, reliable outputs is moderate, with room for further improvement in users' expectations.

Facilitating Conditions (FC): Access to resources and support for fintech use is generally positive, which facilitates adoption.

Behavioral Intention to Use (BI): A strong intention to continue using fintech was noted, indicating high future usage expectations among respondents.

Fintech Adoption (DV): Adoption of fintech is relatively high, reflecting the cumulative effect of these independent variables.

4.3 Reliability Analysis

The reliability of the measurement scales in this study was evaluated using Cronbach's Alpha, with all variables demonstrating acceptable to good internal consistency, as all values exceeded the threshold of 0.70. "Fintech Adoption" showed the highest reliability ($\alpha = 0.832$), followed closely by "Behavioral Intention to Use"

($\alpha = 0.830$) and "Perceived Usefulness" ($\alpha = 0.823$), indicating strong internal consistency among their respective items. Other constructs, including "Image" ($\alpha=0.800$), "Output Quality" ($\alpha=0.781$), "Job Relevance" ($\alpha = 0.764$), "Facilitating Conditions" ($\alpha=0.729$), "Perceived Ease of Use" ($\alpha =0.733$), and "Subjective Norms" ($\alpha = 0.721$), also exhibited acceptable reliability, suggesting moderate to fairly strong internal consistency. Overall, the findings confirm that the measurement scales provide reliable assessments of the constructs, with Cronbach's Alpha values ranging from 0.721 to 0.832, supporting the validity of the research conclusions and reinforcing the robustness of the research framework.

Table 3: Reliability Analysis

Variable	Cronbach's Alpha	N of Items
Perceived Usefulness	0.823	5
Perceived Ease of Use	0.733	5
Subjective Norms	0.721	5
Image	0.800	5
Job Relevance	0.764	5
Output Quality	0.781	5
Facilitating Conditions	0.729	5
Behavioral Intention to Use	0.830	5
Fintech Adoption	0.832	6

4.4 Correlation Analysis

Table 4: Correlation analysis

Variable	Pearson Correlation	Sig. (2-tailed)	N	Interpretation
IV01_Final_Mean_Value	0.674**	0.01	156	Positive correlation with Fintech Adoption; higher

				perceived usefulness leads to increased adoption.
IV02_Final_Mean_Value	0.668**	0.01	156	Positive correlation: easier fintech systems correlate with higher adoption rates.
IV03_Final_Mean_Value	0.684**	0.01	156	Positive correlation: social influence significantly impacts fintech adoption decisions.
IV04_Final_Mean_Value	0.600**	0.01	156	Positive correlation: perceived prestige of fintech affects adoption but to a lesser extent.
IV05_Final_Mean_Value	0.673**	0.01	156	Positive correlation: professional relevance enhances the likelihood of adopting fintech.
IV06_Final_Mean_Value	0.569**	0.01	156	Positive correlation: while output quality is important, it has a lesser influence on adoption.
IV07_Final_Mean_Value	0.626**	0.01	156	Positive correlation: external support plays a crucial role in facilitating fintech adoption.
IV08_Final_Mean_Value	0.729**	0.01	156	Positive correlation: users' intention to engage with fintech is a critical driver of adoption.
DV01_Final_Mean_Value	1	0.01	156	Perfect correlation with itself serves as a baseline for other variables.

4.5 Multiple Regression Analysis

4.5.1 Checking the Model Overall Significance

$$\text{Fintech Adoption} = B0 + B1PU + B2PEU + B3SN + B4I + B5JR + B6OQ + B7FC + B8BIU$$

The regression analysis indicates that the model significantly predicts fintech adoption among Gen Z consumers in Sri Lanka. The regression sum of squares (44.452), representing the explained variance, is considerably higher than the residual sum of squares (23.409), which accounts for the unexplained variance. This substantial difference is reflected in the high F-value (34.894), supporting the conclusion that the model is statistically significant at a 95% confidence level.

Table 5: ANOVA

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	44.452	8	5.557	34.894	.000 ^b
1	Residual	23.409	147	.159		
	Total	67.861	155			

4.5.2 Checking the Significance of each Independent Variables

$$\text{Fintech Adoption} = 0.400 + (0.302 \times PU) + (0.234 \times PEU) + (118 \times SN) + (-0.103 \times I) + (0.318 \times JR) + (-0.174 \times OQ) + (-0.173 \times FC) + (0.394 \times BIU)$$

Table 6: Model Significance

Coefficients ^a					
	Model	Unstandardized Coefficients	Standardized	t	Sig.
			ed		

	Coefficients				
	B	Std. Error	Beta		
(Constant)	.400	.249		1.606	.110
IV01_Final_Mean_Value (Perceived Usefulness)	.302	.086	.292	3.517	.001
IV02_Final_Mean_Value (Perceived Ease of Use)	.234	.113	.203	2.078	.039
IV03_Final_Mean_Value (Subjective Norms)	.118	.116	.104	1.019	.310
IV04_Final_Mean_Value (Image)	-.103	.105	-.092	-.976	.331
IV05_Final_Mean_Value (Job Relevance)	.318	.108	.302	2.955	.004
IV06_Final_Mean_Value (Output Quality)	-.174	.108	-.155	-1.610	.109
IV07_Final_Mean_Value (Facilitating Conditions)	-.173	.122	-.151	-1.420	.158
IV08_Final_Mean_Value (Behavioral Intention to Use)	.394	.093	.391	4.247	.000
a. Dependent Variable: DV01_Final_Mean_Value					

The analysis reveals several key predictors of fintech adoption among Gen Z consumers in Sri Lanka. The constant term of 0.400 serves as a baseline, indicating that when all independent variables are zero, the predicted adoption level is 0.400. Perceived Usefulness (PU) positively impacts adoption, with a 0.302 increase for each unit rise. Similarly, Perceived Ease of Use (PEU) contributes positively, correlating with a 0.234 unit increase per unit increase. Job Relevance (JR) shows a strong positive effect, leading to a 0.318-unit increase, while Behavioral Intention to Use (BIU) has the most significant influence, resulting in a 0.394 unit increase for each unit rise. In contrast, Subjective Norms (SN) exhibits a weaker positive relationship, with a 0.118 increase, which is statistically non-significant ($\beta = 0.12$, $p > 0.05$). This suggests that fintech adoption among Gen Z is more influenced by personal utility, such as perceived usefulness and ease of use, rather than by social pressure or norms. Similarly, Image (I) is negatively associated, leading to a 0.103 decrease per unit increase, which may indicate that Gen Z consumers do not prioritize enhancing their social image through fintech adoption, possibly due to the demographic's focus on functionality over status. Furthermore, Output Quality (OQ) and Facilitating Conditions (FC) also negatively impact adoption, decreasing by 0.174 and 0.173 units, respectively. This negative relationship may suggest that if users perceive the quality of fintech services to be low or if they face inadequate support systems, it could hinder adoption.

The model fit is assessed using the adjusted R^2 , which is 0.52, indicating that the independent variables explain 52% of the variance in fintech adoption. This demonstrates a moderate to strong predictive capability, suggesting that while the model captures a significant portion of the variation, there may be other unexamined factors influencing fintech adoption.

Overall, PU, PEU, JR, and BIU are critically positive predictors, whereas SN, I, OQ, and FC present weaker or negative associations, suggesting areas for further exploration to enhance fintech adoption in this demographic.

At a 95% confidence level, the following hypotheses were tested for each independent variable:

Table 7: Hypothesis Testing with P value

Independent Variable	P Value	Decision	Explanation
IV01_Final_Mean_Value (Perceived Usefulness)	.001	H0 Rejected ($P < \text{Alpha}$) $0.001 < 0.05$	Perceived usefulness has a significant impact on fintech adoption.

IV02_Final_Mean_Value (Perceived Ease of Use)	.039	H0 Rejected (P < Alpha) 0.039 < 0.05	Perceived ease of use significantly affects fintech adoption.
IV03_Final_Mean_Value (Subjective Norms)	.310	H0 Not Rejected (P > Alpha) 0.310 > 0.05	Subjective norms do not significantly impact fintech adoption.
IV04_Final_Mean_Value (Image)	.331	H0 Not Rejected (P > Alpha) 0.331 > 0.05	Image does not significantly influence fintech adoption.
IV05_Final_Mean_Value (Job Relevance)	.004	H0 Rejected (P < Alpha) 0.004 < 0.05	Job relevance has a significant impact on fintech adoption.
IV06_Final_Mean_Value (Output Quality)	.109	H0 Not Rejected (P > Alpha) 0.109 > 0.05	Output quality does not significantly affect fintech adoption.
IV07_Final_Mean_Value (Facilitating Conditions)	.158	H0 Not Rejected (P > Alpha) 0.158 > 0.05	Facilitating conditions do not significantly influence fintech adoption.

IV08_Final_Mean_Value (Behavioral Intention to Use)	.000	H0 Rejected (P < Alpha) 0.000 < 0.05	Behavioral intention to use has a significant impact on fintech adoption.
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4.6 Checking the Fitness of the Model

Table 8: Model Fitness

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.809 ^a	.655	.636	.39905

The model summary indicates a strong correlation between the independent variables and the dependent variable, with an R value of 0.809, suggesting a substantial relationship. The model fit is assessed using the adjusted R², which is 0.636, indicating that the independent variables explain 63.6% of the variance in fintech adoption. This demonstrates a strong predictive capability, suggesting that the model captures a substantial portion of the variation in fintech adoption. However, there may still be other unexamined factors influencing the adoption process.

Overall, PU, PEU, JR, and BIU are critically positive predictors, whereas SN, I, OQ, and FC present weaker or negative associations, suggesting areas for further exploration to enhance fintech adoption in this demographic.

4.7 Literature Review on Model Fit and Sample Size

Adequate sample size is crucial in regression analysis, as a larger sample increases the likelihood of detecting true effects and reduces the standard error, thereby improving reliability (Cohen, 1988; Nathan et al., 2022). Smaller sample sizes can lead to overfitting, where the model captures noise rather than the actual relationship, resulting in misleadingly high R Square values that don't generalize well. The current analysis shows an R Square value of 0.655, indicating that a significant portion of the variance in fintech adoption can be explained by the independent variables. However, the Adjusted R Square value of 0.636 suggests a reduction in explanatory power when accounting for the number of predictors. This measure is considered more reliable for

comparing models with different predictors, as it accounts for degrees of freedom. Researchers must be cautious in interpreting this statistic, especially with limited sample sizes, as data variability can distort the true explanatory power of the model. The limited sample size of 156 in this study may have contributed to the lower Adjusted R Square value, and future research should aim for larger samples to enhance the robustness of the findings and accurately capture the relationships among the variables.

5. CONCLUSION

This study investigated the impact of financial literacy on fintech adoption among Gen Z consumers in Sri Lanka, revealing that higher financial literacy levels positively correlate with increased fintech adoption, particularly through enhanced perceived usefulness, job relevance, and ease of use. While behavioral intention emerged as a critical predictor of adoption, other factors like subjective norms, image, output quality, and facilitating conditions did not show significant influence. The study's relatively small sample size of 156 respondents and its specific demographic focus may limit the generalizability of the results. Nevertheless, it provides valuable insights into the fintech adoption landscape. Future research should aim for larger, more diverse samples and explore additional influential variables, such as financial trust and security concerns, to deepen understanding of the factors driving fintech adoption among young consumers.

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The Factors Affecting Personal Debt Management Among Working Adults in Colombo District

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ABSTRACT

The purpose of this study is to examine determinants of personal debt management among working adults in Colombo District of Sri Lanka. The study focuses on essential variables like income stability, spending patterns, financial literacy and attitudes. A Quantitative Research Approach was used in this research and sample consists of 376 working adults who are located in Colombo District. A structured questionnaire was used to collect data on income stability, spending habits, financial literacy, and attitudes toward debt management. The research design included random sampling procedures to increase the generalizability of the sample and employed statistical tools, such as multiple regression analysis, to test hypotheses. Data was analyzed using SPSS software and the measures used assessed for reliability and validity. The findings stress the importance of more financial education and promotion of better financial practices of working adults, given that debt management is a vast area. Findings of the study are useful for both policy development and financial counselling in Sri Lanka where personal finance management is under-researched. Further research might examine these factors in other demographic groups or regions of the country.

Keywords - Attitudes, Colombo District, Financial Literacy, Income Stability, Indebtedness, Personal Debt Management, Spending Patterns, Working Adults

1. INTRODUCTION

Today, debt management among working adults differs sharply as a critical economic issue is influenced by a complex behavior of personal financial habits, broader economic conditions, societal and cultural factors, as well as technological changes and financial education. Most of these personal financial habits are specially based on income status, spending patterns and saving patterns. Thus, the level of income is one of the determining factors in how working adults approach debt management. Broader economic and political contexts, economic downturns and inflation, as well as changes in interest rates, affect the cost of borrowing and the value of savings. Therefore, the economic and political situation in one's country also affects his chances to pay off the debt. Borrowing debt in different ways for different reasons are mostly affected by the societal pressure that forced individuals to live at a certain

level. Usually, cultural attitudes about debt and the availability of techniques in debt management practices can either enhance or decrease this need of borrowing or debt.

And with the introduction of various new technological advancements, we can see there are many new ways to manage and acquire debt through various online shopping sites and digital lending platforms have emerged since recently. While these solutions offer convenience and easy access, they are likely to increase spending and debt levels if misused. Furthermore, the extent of financial knowledge in working adults greatly influences their ability to manage debt. People with a good grasp of financial aspects and strategies are more likely to be careful with their borrowing and repayment but, many people suffer because of debt repayments despite the reason or benefit they got through that debt.

Debt management is a critical issue affecting financial health and stability for working adults. Despite the availability of financial tools, there is a significant gap between theoretical and practices in debt management. Over 80% of adults value financial education, but less than half of them feel competent in debt management, showing difficulty in applying knowledge. The Federal Reserve Bank of New York indicates that during times of economic uncertainty, debt actually increases as consumers borrow more to feel a greater sense of financial security.

According to World Data Bank, Domestic Credit in Sri Lanka (% of GDP) has been rapidly increasing. So, this study aims to provide a thorough overview of the multiple variables affecting working adults' debt management using the Theory of Planned Behavior (TPB) by relying on credible sources such as the National Foundation for Credit Counseling (NFCC), Consumer Financial Protection Bureau (CFPB), Federal Reserve Bank of New York, and the Journal of Financial Counseling and Planning. This knowledge is essential for guiding future study, practice, and policy in this important field, which will eventually help most of people achieve financial stability and well-being through managing their debt and finances. (Roll & Moulton, 2016) (Effective financial education, 2017) (Julia Fonseca, 2017)

2. LITERATURE REVIEW

Personal debt management has been widely studied globally, with researchers identifying key factors such as **income stability, spending patterns, financial literacy, and attitudes** as critical determinants of financial well-being. In the context of developing economies like Sri Lanka, debt-related challenges are exacerbated by economic instability, rising inflation, and cultural attitudes toward borrowing. This section explores existing literature on the primary factors influencing debt management.

2.1 Income Stability and Debt Management

Income stability plays a crucial role in effective debt management, as individuals with consistent earnings are better positioned to meet financial obligations, save, and avoid reliance on high-interest credit (Baker & Kumar, 2021). Conversely, income volatility, common among informal and contract workers, increases financial uncertainty and leads to a higher likelihood of debt accumulation (Rahman et al., 2022). Studies suggest that financial vulnerability due to income instability results in frequent borrowing and difficulties in debt repayment, highlighting the need for stable earnings to ensure financial security (Jones & Brown, 2020).

2.2 Spending Patterns and Debt Accumulation

Spending behavior significantly impacts debt levels, with impulse purchases and unplanned expenditures contributing to financial strain (Miller et al., 2020). Johnson and Roberts (2020) found that individuals lacking budgeting skills or financial discipline are more likely to rely on credit, leading to higher debt burdens. Societal and cultural pressures further influence spending, particularly in urban settings like Colombo, where lifestyle expenses and social expectations drive excessive consumption (Green et al., 2021). Additionally, psychological factors, such as emotional spending, have been linked to increased debt, reinforcing the importance of financial self-control in managing personal finances (Samarasinghe & Perera, 2022).

2.3 Financial Literacy and Debt Management

Financial literacy is a critical factor influencing debt-related decision-making. Research indicates that individuals with higher financial knowledge are better equipped to manage debt effectively, avoid predatory lending, and secure favorable loan terms (Lusardi & Mitchell, 2014). However, studies in Sri Lanka highlight a widespread lack of financial literacy, particularly among young adults and rural populations, leading to poor financial choices and increased debt burdens (Silva & Ratnayake, 2022). Empirical findings suggest that targeted financial education programs can improve financial behaviors and reduce over-indebtedness (Chen & Volpe, 2021).

2.4 Attitudes Toward Debt

Cultural and psychological factors shape individuals' perceptions of debt and influence borrowing behavior. In many developing countries, including Sri Lanka, debt is often seen as a necessity for investment in education, housing, and family obligations, creating a normalized acceptance of borrowing (Bandara et al., 2023). However, excessive reliance on debt without proper financial planning can lead to long-term financial instability. Research also suggests that materialistic values and societal influences contribute to higher debt levels, particularly among younger

demographics (Jayawardena & Silva, 2022). Addressing these attitudinal factors through financial awareness programs can promote responsible borrowing habits.

3. METHODOLOGY

This study employs a cross-sectional research design, gathering data at a single point in time. The target population comprises working adults in the Colombo District, ensuring a diverse representation across age, gender, marital status, income levels, and educational backgrounds. To enhance the external validity of the findings, a stratified random sampling technique is used, ensuring adequate representation of key demographic groups.

A sample of 376 respondents has been determined as appropriate to achieve statistical power, ensuring a reliable analysis of the relationships between independent variables (income stability, spending patterns, financial literacy, and attitudes) and the dependent variable (debt management). The sample size was calculated based on standard statistical guidelines, considering the

4. FINDINGS

Reliability Testing

Cronbach's Alpha was used as a measure of internal consistency for a reliability analysis of the variables. The results are as follows:

Table 4.1 Reliability test

Variable	Alpha	Conclusion
Income Stability	0.806	Reliable
Spending Patterns	0.710	Reliable
Financial Literacy	0.878	Reliable
Attitudes	0.888	Reliable

The Cronbach's Alpha values for all variables exceed 0.7, demonstrating a high level of internal consistency. This indicates that the items under each variable consistently and reliably measure what they are supposed to measure (all leading to reliable results for the next step of the analysis).

Correlation analysis

Correlation analysis was performed on the independent variables (income stability, spending patterns, financial literacy, and attitudes) and the dependent variable (personal debt management). Analyzing this assist in determining how strong an

association each variable has with debt management and whether that association is positive or negative. With these correlations, we now have a better idea of what is correlated more so than other factors to appropriate debt management behaviors, and we can further analyse these through regression testing.

Table 4.2 Correlation analysis

Variables	IV1 (Income Stability)	IV2 (Spending Patterns)	IV3 (Financial Literacy)	IV4 (Attitudes)	DV (Debt Management)
IV1 (Income Stability)	1.00	-0.251**	0.154**	0.432**	-0.008 (ns)
IV2 (Spending Patterns)	-0.251**	1.00	-0.607**	-0.499**	-0.326**
IV3 (Financial Literacy)	0.154**	-0.607**	1.00	0.499**	0.270**
IV4 (Attitudes)	0.432**	-0.499**	0.499**	1.00	0.063 (ns)
DV (Debt Management)	-0.008 (ns)	-0.326**	0.270**	0.063 (ns)	1.00

The correlation analysis uncovers significant linkages between the predicted (Debt management) and predictive (Income Stability, Spending Patterns, Financial Literacy, and Attitudes) variables. Income Stability has a strong positive correlation with Attitudes (0.432, $p < 0.01$) and a low positive correlation with Financial Literacy (0.154, $p < 0.01$). But it weakly correlates with Debt Management (-0.008 , $p = 0.877$) reflects a lack of direct relationship with debt management.

Spending Patterns have respectively strong negative correlations with Income Stability (-0.251 , $p < 0.01$), Financial Literacy (-0.607 , $p < 0.01$), and Attitudes (-0.499 , $p < 0.01$), and moderate negative correlation with Debt Management (-0.326 , $p < 0.01$), indicating excessive consumption patterns may affect debt management adversely.

A strong positive association is observed between Debt Management and Financial Literacy (0.270, $p < 0.01$) suggesting that debt is better managed with higher

Financial Literacy. Findings: First, there is a high correlation among financial literacy, income stability, and attitudes, demonstrating a high gerontological engagement at the subject variable level.

On the flip side, Attitudes are not correlated with Debt Management (0.063, $p = 0.224$) suggesting it does not affect debt management directly. Thus, the result shows that Financial Literacy and Spending Patterns are strong determinants of debt management, whereas the effect of Income Stability and Attitudes is indirect.

Multiple regression analysis

A multiple regression analysis was performed to determine if the independent variables: Income Stability, Spending Patterns, Financial Literacy and Attitudes can be great predictors of Debt Management as the dependent variable. This statistical method measures the unique contribution of each independent variable (with all other independent variables held constant).

Table 4.3 ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.752	4	8.438	14.802	.000 ^b
	Residual	211.497	371	.570		
	Total	245.249	375			

a. Dependent Variable: DV_Mean

b. Predictors: (Constant), IV4_Mean, IV1_Mean, IV2_Mean, IV3_Mean

Table 4.4 Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.907	.588		8.344	.000
	IV1_Mean	-.054	.066	-.044	-.826	.410
	IV2_Mean	-.515	.103	-.316	-4.974	.000
	IV3_Mean	.241	.094	.164	2.569	.011

IV4_Mean	-.155	.062	-.157	-2.506	.013
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a. Dependent Variable: DV_Mean

Table 4.5 Hypothesis testing

Variable	Sig	Decision	Conclusion
Income Stability	0.410	H0 is Not Rejected	There is No significant impact of Income Stability on Debt Management
Spending Patterns	0.000	H0 is Rejected	There is a significant impact of Spending Patterns on Debt Management
Financial Literacy	0.011	H0 is Rejected	There is a significant impact of Financial Literacy on Debt Management
Attitudes	0.013	H0 is Rejected	There is a significant impact of Attitudes on Debt Management

Table 4.6 Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.371 ^a	.138	.128	.75503

a. Predictors: (Constant), IV4_Mean, IV1_Mean, IV2_Mean, IV3_Mean

An R Square value of 0.138 shows that this considers only 13.8% of the variability of the model on Debt Management. This just a little low rate indicates that the predictors can help with the debt management, but still the debt variance is relatively unexplained. Although the R Square of 0.138 shows that the model explains only a small part of the variance in Debt Management, it is worth mentioning that a lot of

studies are reporting equally or even lower R Square values like Nor Fazleena Binti Azmi, D. S. (2018), Nor Fazleena Binti Azmi, D. S. (2018).

For example, studies of financial behavior usually finds that personal finance decisions are predicted by many variables that will not fit in a single regression such as personal circumstances, external economic conditions, and behavioral characteristics. This type of phenomena is very complex, hence a R Square value of somewhere between 0.1 to 0.2 is quite common in social sciences. This perspective reinforces that even as the current model continues to have important limitations, it provides important insights about the factors that play a role in debt management.

5. CONCLUSION

The focus of the present study was to elaborate the phenomenon that is concerned with the factors that affect the personal debt among the working adults in Colombo District of Sri Lanka when taking into considering income stability, spending pattern, financial literacy, and attitude. These results suggest a statistically significant correlation between financial literacy and spending habits, which directly inform how debt is managed, supporting the prior theory that educated financial decision-making is conducive to better debt management. The R Square value of 0.138 of the models implies that a large part of the variance in debt management cannot be explained by the predictors chosen and indicates that other factors might also plays a significant role.

Although the study gives a glimpse, this work has its limitations. While the sample size of 376 is statistically adequate, it does not inherently capture the broader socioeconomic spectrum of Colombo. Moreover, the findings may only be relevant to the targeted geographic region, limiting their generalizability to other areas in Sri Lanka, or other countries. Also, the research probably omitted others, including younger adults or low-income individuals, who may have different financial habits and struggles.

Still, future research should have a more diverse sample to generalize for different demographics and areas. It would also be beneficial to expand the study with longitudinal data and the changes in debt management behavior over time. Future research directions might consider cultural aspects of financial attitudes and behaviors or might explore the efficacy of financial education programs in other contexts.

Future research that addresses these literatures and extends this work should provide a more complete view of personal debt management and ultimately assist in the development, implementation, and evaluation of policies and interventions targeting financial literacy and responsibility across a broad spectrum of individuals.

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