



IMPACT OF FINANCIAL LITERACY ON INVESTMENT BEHAVIOUR

**(WITH SPECIAL REFERENCE TO REAL ESTATE
INDUSTRY)**

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ABSTRACT

Investment plays a critical role to develop the nations and economies. Today with the globalization, many investment options have created for investors. Investors' success depends on their investment behaviour. Financial literacy is a modern concept and financial literacy is becoming an essential factor in investment behaviour. Yet, the investment in Sri Lanka still remains at low level compared to the developed and developing nations. So this study endeavored to identify the impact of financial literacy on investment behaviour in real estate industry in Sri Lanka. The study was based on three objectives. First, to identify the most affecting factor to investment behaviour in Real estate industry, second, to ascertain the relationship between financial literacy and investment behaviour, finally, to investigate the impact of financial literacy on investment behaviour in Real estate industry. Financial knowledge, financial attitudes and financial behaviour were considered in measuring the financial literacy. Questionnaires were distributed to 100 real estate investors by convenience sampling technique to collect data. Descriptive statistics, correlation coefficient and regression analysis were used to analyse data. The results revealed that real estate investors were almost agreed with the existing situation of all the functionality dimensions and it further indicated that there is a positive relationship between financial and investment behaviour and there is a significant positive impact of financial literacy on investment behaviour in real estate industry. Additionally the study found financial knowledge is the most affecting factor on investment behaviour. Hence the researcher recommends investors require adequate level of financial knowledge to achieve optimal outcomes. Future researchers can study in the impact of inflation rates, tax policy on investment behaviour and ways to mitigate against sudden losses due to inflation fluctuation and taxes. And they can focus on different factors affect to the investment behavior; social factors, economic factors, psychological factors.

Key Words– *Investment Behaviour, Financial Literacy, Financial Knowledge, Financial Attitudes, Financial Behaviour.*