

Behavioral Factors Affecting to Selection of Brokerage Firm in Colombo Stock Exchange by Retail Investors

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This study examines the behavioral factors affecting to the selection of a stockbroker by retail customers, referring to the Behavioral Finance theory. This study is driven by two main objectives, to determine the main factors affecting to the selection decision and to identify the importance levels of the behavioral influences on the individual investors when selecting a stock brokerage firm. This research has used primary data collected through a distribution of a structured questioner and as a sample 60 individual investors were chosen using random sampling technique. However, only 47 questionnaires were returned and analyzed using five-point scale method. Exploratory Factor Analysis identified five main factors as Overconfidence and Gambler's Fallacy Factors, Anchoring and Ability Bias Factors, Market Factors, Herding Factors and Firm Image Factors. The Reliability Test revealed that there is an internal consistency of each factor. Further, the findings suggest that the Firm Image Factor and Market Factor have the highest importance level for the selection decision whereas Herding Factor has lowest importance level.

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