

The Determinants that Affect the Disposition Bias of Individual Investors in Sri Lankan Colombo Stock Exchange (CSE)

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Traditional Finance theory presumed that equity market participants take decisions based on rational platforms. However, recent market incidents witnessed investors' decision-making process is fueled with irrational investor behaviors. Disposition bias is a dominated and significant bias which investors are more prone to sell the winning stock and tend to hold on to the loss-making stocks. Numerous studies can be identified in disposition bias literature in developed markets in European zone. There are limited number of studies that can be found in line to Sri Lankan context. This study tries to give a victories answer for the research questions "The relationship of determinants towards the disposition bias in individual investors in Sri Lankan stock exchange?" and "what is the magnitude and direction of the relationship between disposition bias and its determinants". The study is significant mainly on Colombo Stock Exchange (CSE) market serve as a key catalyst in the country's growth story. The CSE was ranked as the second-best performing equity market according to Bloomberg and the best performing exchange according to the world federation of Exchanges. There is a momentum need to continue for better performance and economic development. The irrational behaviors affect for the above said momentum and the study gives a comprehensive analysis on the causes of disposition bias which can be used to reduce the biases in future time. This study reflects investors in CSE purely look at the individual psychological aspect and their influence towards the investment decision making in CSE.

Keywords: *Bounded Rationality Theory, Colombo Stock Exchange, Disposition Bias, Prospect Theory*

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