Effect of Financial Literacy and Psychological Factors on Individual Investment Decisions of Small and Medium Entrepreneurs in Colombo District

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ABSTRACT

This study examines the impact of financial literacy and psychological factors on investment decisions among small and medium entrepreneurs in the Colombo district in Sri Lanka. When concerning a small and medium entrepreneur, investment decisions play a pivotal role as one of the crucial decisions. With the prevailing crisis situation, it is important to assess the investment decisions of SME, because there may be significant structural changes. To assess the investment choice decision, fixed deposits, equity, government securities and unit trusts were used. Moreover, psychological factors overconfidence, economic expectation, personality, and past behavior were considered. Number of employees used as the criteria to identify a SMEs. A total of 380 entrepreneurs from Colombo district were selected for the study using convenient sampling techniques. The findings revealed that financial literacy, economic expectation and overconfidence significantly impact investment choice decisions. It was further identified that among all independent variables financial literacy is the most influential variable for investment choice decisions of SMEs. Finally, the study provides some suggestions to develop financial literacy, and future researchers may incorporate psychological factors for their studies.

Keywords: Financial literacy, Overconfidence, Economic expectation, Personality, Past behavior

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are considered as the backbone of the economy. They are contributing significantly to employment, poverty reduction, GDP, economic growth etc. According to the Sri Lanka Export Development Board, SMEs contribute to 45% of employment and 75% of total enterprises in the economy. SMEs play a pivotal role in the economic development of a country (Perera, 2018). With the prevailing economic crisis, higher interest rates make modifications of investors' behaviors (Lodhi, 2014). Higher interest rates impact small businesses' cash flow and their ability to borrow, reinvest, and even hire workers (Lauria, 2022). As a result, the SME sector is a significant niche in the market and they focus more on higher return investment alternatives to invest their available capital without doing business. Even though SME is that much influential sector, there is no exact definition for SME. Number of employees, value of machinery, capital employed, value of assets other than buildings and lands, export value are some criteria. The study used mostly used criteria to define SME. i.e. number of employees. Moreover, there are some barriers for SMEs such as lack of access to information and technology, lack of market information and marketing skills, lack of adequate infrastructure, lack of professional management skills, etc. However, the success and sustainability of SMEs are highly dependent on various factors, including the investment choices made by individual entrepreneurs. As a result, that study focuses on investment choice decisions of SMEs.

Individual investment choice refers to, among various investment alternatives, individual investor has to invest in a particular source or in a portfolio of investments. According to (De Silva & Lasantha, (2019), an individual has a wide variety of choices for investments ranging from equity, corporate debt instruments, government debt instruments, saving deposits, retirement plans, etc. Investment choice decisions depend on various factors. (Aren & Aydemir, (2015) explains investment decisions depend on demographics, investment decision criteria and financial literacy level. For this study used fixed deposits, government securities, equities and unit trust to measure the investment choice decision of small and medium entrepreneurs.

However, De Silva & Lasantha, (2019) state that their research has been limited to undergraduate students and therefore, further research needs to be conducted and also the research can be further improved by incorporating psychological variables that may affect investment decision making. According to (Gill, et al., 2018) revisit all citations investors are not always rational and their investment decisions are influenced by different psychological factors such as emotions, attitudes and biases and also further research can be conducted on the variables influencing on decisions making behavior of investors. Psychological factors are the critical factor for decisions but up to now there is no empirical evidence to prove the impact of psychological factors on investment choice decisions. (Gill, et al., 2018; Bakara & Yi, 2015, and Lodhi, (2014) studied the psychological impact of investment decisions in stock markets. For this study overconfidence, economic expectation, personality and past behavior are used as psychological factors.

Financial literacy, on the other hand, represents a critical skill set that can empower individuals to make informed financial decisions. It encompasses knowledge and understanding of financial concepts, tools, and strategies. Despite its importance, the level of financial literacy among SMEs' entrepreneurs in Colombo District on investment choices remains relatively Underexplored.

Understanding the impact of financial literacy and psychological factors investment choices can have significant practical implications. It can inform the development of tailored financial literacy programs for SME entrepreneurs, helping them make more informed and rational investment decisions.

Additionally, insights gained from this research can aid financial institutions and policymakers in designing more effective support mechanisms for SMEs.

The Colombo district, being the commercial capital of Sri Lanka, hosts a substantial number of SMEs. Study selected the Colombo district as the geographical area for the study. Colombo district represents the highest contribution (to what) district among formal industries (Nishantha, 2018). Study examined the financial literacy and psychological factors effect on individual investment choice decisions of small and medium entrepreneurs in Colombo district. Moreover, study evaluates the small and medium entrepreneurs' investment choice decision with the prevailing economic crisis situation.

As the country suffers from a forex crisis due to debt, the country struggles to find essential imports. Moreover, inflation has hit a record high and food restriction has already begun because of the pending economic crisis (CBSL, 2022). With the prevailing crisis (which) policy rate increased drastically compared to last decades (CBSL, 2022). Higher rates impact small businesses' cash flow and their ability to borrow, reinvest, and even hire workers (Lauria, 2022). As a result of that, the SME sector is a significant niche in the market and they focus more on higher return investment alternatives to invest their available capital without doing business. Hence, SMEs' investment decisions are a considerable segment in the present context. As a result, researchers examined the impact of financial literacy and psychological factors on the investment choice decision of SME in Colombo district.

2. LITERATURE REVIEW

The purpose of this literature review is to give a rapid summary of what is currently known about this topic. Therefore, the preceding literature review summarizes existing theoretical and empirical knowledge about moderating the role of financial literacy and psychological factors such as overconfidence, economic expectations, personality, past behavior and investment choice.

2.1 Theoretical Literature

Prospect theory, rational choice theory and expected utility theory are the main underpinning theories for the study. Some theories are directly related to the variables and some are support to the relationship. However, the following theories solidify the research study by providing the literature for the study.

Prospect Theory

According to prospect theory people make investment decisions on the basis of gains and losses, instead of relying on final outcomes and set reference points accordingly as well. Kahneman and Tversky explain investors value the gains and from different angles. (Waweru, et al., (2008); mentioned this theory focuses on the investors' subjective decision making that is influenced by the value system of investors. By adopting Prospect Theory as an underpinning theory for the influence of psychological factors on investment decisions, the research acknowledges that these decisions are not made in a vacuum but are rather influenced by cognitive and emotional considerations. The theory provides a robust framework for understanding why certain investment choices may be preferred over others, especially in situations of uncertainty, which is common for SME entrepreneurs. In summary, Prospect Theory enriches the research proposal by emphasizing the subjective nature of investment decision-making and the role of psychological factors in shaping these decisions. It offers a lens through which to explore how SME entrepreneurs in Colombo District perceive gains and losses in their investment choices and how this perception influences their ultimate decisions, aligning perfectly with the central theme of the research.

Rational Choice Theory

By incorporating Rational Choice Theory into the research, it emphasizes that investment decisions are not purely emotional or psychological but are also grounded in rational calculations and expectations. Entrepreneurs, especially those with higher levels of financial literacy, may apply rational choice principles when evaluating investment options and assessing their potential benefits and risks. In summary, Rational Choice Theory provides a theoretical foundation for understanding how financial literacy and rational expectations can influence the investment decisions of small and medium entrepreneurs in Colombo District. It connects the research to the broader economic and policy context, offering a comprehensive perspective on the factors shaping investment choices in this specific region.

Expected Utility Theory

By integrating Expected Utility Theory into the research, it recognizes that investment decisions are complex and multifaceted, extending beyond the mere pursuit of financial gains. Entrepreneurs consider the overall utility and satisfaction derived from their investments, and this consideration is influenced by psychological factors. In summary, Expected Utility Theory provides a theoretical framework that accounts for the subjective and multifaceted nature of investment decisions among small and medium entrepreneurs. It underscores the importance of assessing utility beyond monetary values alone and highlights the role of psychological factors in shaping entrepreneurs' utility functions and, consequently, their investment choices. This theory enriches the research by offering a deeper understanding of the decision-making processes involved in investments in Colombo District.

Portfolio Theory

Even though the Prospect theory, rational choice theory, expected utility theory explains some relationship between variables. There is no perfect theory to explain the financial literacy and psychological factors on investment choice decisions. Even though the prospect theory and expected utility theory explains the psychological impact, the theory does not explain the exact impact.

Overconfidence, past behavior and personality is not backed by any theory. Therefore, researchers identified that there is a theoretical gap in this research.

2.2 EMPIRICAL LITERATURE

In empirical literature, the empirical evidence to the financial literacy and psychological factors impacts on investment decisions. Investment choice decisions depend on various factors. (Aren & Aydemir, (2015) explains investment decisions depend on demographics, investment decision criteria and financial literacy level. Demographic factors influence research already researched. Specially depend on religion (Muslims and Non-Muslims) investment decision effect explained (Jamaludin, 2013). (Geetha & Ramesh, 2012) stated the influence of demographic factors. Addition to that Baruah & Parikh, 2015; Patel & Modi, 2017; Sharma, 2020; Istanti & Lestari, 2023) stated the demographics factors influence on investment choice decision. (Amutha, 2014) analyzed the relationship between demographic factors such as age, income, occupation, gender and investment choice of the investors. (Pradita & Wiwik, 2019) stated the demographic factors on investment decisions with generations. After the covid-19 demographic factors influence (Wahyuni & Astuti, 2021) stated.

Other than the demographic factors Aren & Zengin, 2016; Aren & Hamamci, 2020 researched the impact of risk investment intention, risk tolerance (Istanti & Lestari, 2023) on the investment choice decision. Portfolio characteristics risk and return influence on investment decisions. Anderson & Settle, 1996 stated. The researcher highlighted the various factors that affect an individual's investment choice. (De Silva & Lasantha, 2019) analyze the impact of financial literacy and risk aversion on investment choices of undergraduates in Sri Lanka and also investment choice was measured in terms of an unordered categorical variable that includes investment in equity & corporate debt instruments, investment in government securities, investment in retirement plans and savings deposits.

Psychological factors influence explains on investment decisions (Waweru et al., 2008). Nofsingerv, 2017 explain how psychological factors influence investment decisions. It emphasizes the importance of psychological factors to the decision. Further, Masom & Ghayekhloo, 2010; Weixiang, et al.,2022; Gambetti & Giusberti, 2012 stated that there is a relationship between psychological factors and investment decisions.

2.2.1 Financial Literacy

(De Silva & Lasantha, 2019) citation errors analyzed the relationship between financial literacy and individual investment choice, from that study researcher identified that there is a significant influence towards the choice of equity and debt instruments relative to savings deposits. According to (Tang & Baker, 2016) financial literacy is the combination of subjective financial literacy and objective financial literacy. (Kumari, 2020) stated that financial literacy impacts investment decisions with special reference to undergraduates. (Firdaus, et al., January 2022) shows that financial literacy has a significant positive influence on investment decisions. Al-Tamim & Kalli, 2009, stated that there is a significant relationship between financial literacy and investment decisions. in developed countries.

2.2.2 Overconfidence

The researchers concluded with negative as well as positive relationships between overconfidence and investment decisions. Lim, 2012 and Bashir, et al., 2013 have found overconfidence has a positive significant impact on investors' decision making. According to the Bakara & Yi, 2015 findings show that overconfidence, conservatism and availability bias have significant impacts on the investors' decision making and also the researcher found that psychological factors are dependent on an individual's gender.

2.2.3 Economic Expectations

(Gill, et al., 2018) analyzed the relationship between overconfidence and economic expectation toward the investment decision. There is a positive and significant relationship between economic expectations and investment decision making behavior. Using structural equation models Hassan, et al., 2021 identified that overconfidence, economic expectation, and social factors have a positive and significant relationship with investment decision making behavior.

2.2.4 Personality

According to (Parashar, 2010) there are nine basic personality types and based on the personality investment choices are different. (Yadav & Narayanan, 2021 findings suggest that significant impact of personality traits (5 personality traits considered) on the vulnerability of individuals while making investment decisions. (Aren & Aydemir, 2015) explain the personality traits and emotions having risk aversion investment choice.

2.2.5 Past Behavior

Past behavior considerably applied to many researchers to determine intention and behavior. (Nurmelia, et al., 2020), ((Raut, 2020) stated that past behavior has no influence on the intention to invest in the capital market. (De Silva & Lasantha, 2019) emphasized the gap in empirical literature and suggests for future researchers to conduct research with further improvement by incorporating psychological variables that may affect investment decision making. There is no evidence to study the SME sector investment choice decision in the Sri Lankan context. In addition to that there is an empirical gap of studying the psychological effect on investment choice decisions. Moreover, the current economic scenario is different from the normal economic scenario. Political and macroeconomically instability make changes in investors' preferences about investments (Lodhi, 2014). There is no empirical evidence of investment choice decisions in crisis scenarios.

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3. METHODOLOGY

Based on empirical and theoretical literature, researcher identified questions that need to be answered. Following are the questions that researchers need to be addressed in this study How far financial literacy impacts an individual's investment choice decision?

1. *How far does overconfidence impact an individual's investment choice decision?*
2. *How far does economic expectation impact an individual's investment choice decision?*
3. *How far personality impacts an individual's investment choice decision?*
4. *How far past behavior impacts an individual's investment choice decision?*

Data collection procedures This research will utilize primary data as collection methods. The original information acquires to address the research objective is known as primary data. According to 2021 CBSL annual report highest mid-year population of 28.1 % represent from the western province. Based on the 2020 labour force survey employment rate in Colombo district is much significant than other areas. As a result of that researcher will be focus on geographical scope as Colombo district. Therefore, for the purpose of this study researcher consider the target population as the small and medium entrepreneurs in Colombo District. Unit of analysis is an individual small and medium entrepreneur. Moreover, researcher use randomly select the sample from population for the study. Researcher will collect data from 380 individuals with reference to Morgens table value.

To answer above questions, researchers developed following conceptual framework for the study using empirical and theoretical literature.

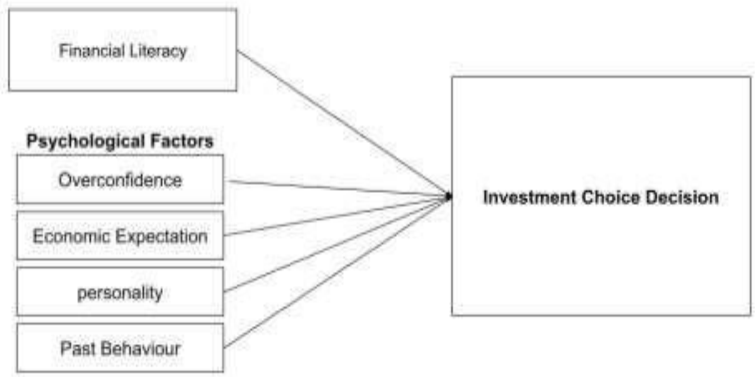

Figure 1: Conceptual Framework

Researcher used five independent variables as financial literacy, overconfidence, economic expectation, personality and past behavior. Investment choice decision is the dependent variable of the study.

Researcher developed seven (5) hypotheses to measure the impact of independent variables to the dependent variable.

- *H1: There is a significant impact of financial literacy on investment choice.*
- *H2: There is a significant impact of overconfidence on investment choice.*
- *H3: There is a significant impact of economic expectation on investment choice.*
- *H4: There is a significant impact of personality on investment choice.*
- *H5: There is a significant impact past behavior on investment choice.*

The philosophy of this study is epistemological - positivism because this approach can be used to assess information authenticity and reliability. Moreover, positivism is a philosophical viewpoint that relies on empirical scientific evidence. Also, it promotes hypothesis testing as a strategy for producing and verifying scientific knowledge in general. Deductive approach used as the approach by the researcher for this study. Moreover, the research strategy will be centered on questionnaires and the time horizon will be cross - sectional because it allows the researcher to focus on collecting data from different individuals at a single point in time. Finally, data collection and analysis will be based on quantitative research methods. Unit of analysis is a small and medium entrepreneur in Colombo district.

For the study researcher collected primary data using questionnaire. To test the above hypothesis researcher developed questionnaire to evaluate independent and dependent variables. According to 2022 CBSL annual report highest mid-year population of 28.1 % represent from the western province. Based on the 2020 labour force survey employment rate in Colombo district is much significant than other areas. As a result of that researcher will be focus on geographical scope as Colombo district. Therefore, for the purpose of this study researcher consider the target population as the small and medium entrepreneurs in Colombo District. Unit of analysis is an individual small and medium entrepreneur. Moreover, researcher use convenient sampling to select the sample from population for the study.

For this analysis researchers used primary data collected through questionnaires from 380 entrepreneurs based on Morgan's Table. Since the research - based on quantitative data, a comprehensive statistical analysis will be done because as (Lazar, 2017) stated, it is a sophisticated tool that assists in the discovery of similarities, discrepancies, and correlations between variables. For the study researcher used multiple regression and correlation analysis to assess the impact and the relationship among variables. For that hypothesis testing researcher used regression.

Regression analysis is a collection of statistical methods that are utilized to estimate the impact of variables. This method is commonly employed in research studies to determine the strength between variables and model the relationship. Through multiple regression analysis, an ANOVA table, coefficients, and a model summary for the variables can be produced. This analysis generates a regression equation where the coefficient value represents the relationship between each independent and dependent variable. The present research will also utilize regression analysis to conduct an in-depth analysis of the impact among the variables. To test the hypothesis researcher used t-value, p-value and beta value. As the threshold limit 0.05 used with 95% confidence level.

4. RESULTS AND DISCUSSION

4.1 Data presentation and Discussions

The demographic characteristics were sought in the first section (section A) of the questionnaire with three elements which were deemed as important elements for study and generalize the results into the population. In this study, the demographic profile was examined using age, gender and marital status. Section A of the questionnaire was designed to collect the demographic factors.

As per the gender, the respondents of the sample were mainly represented by male respondents. The distribution was reported as 76.8% male and 23.2% female. Age was considered as the first demographic factor which was categorized into 4 categories based on the age. According to the gathered data, most of the respondents were in the 48-57 years age category which represented 42.4%. Age above 57 years represents 25.3%. The age group 38-47 years was represented by 27.4% and years 28-37 represent only 5%. Marital status of collected sample 77.6% married and rest represent the unmarried SME entrepreneurs.

4.2 Descriptive Analysis

The descriptive analysis provides an overview of the key statistics for the dependent variables, shedding light on the central tendency, variation, and range of scores. Here are the interpretations of the descriptive statistics for each of the dependent variables.

Table 1: Descriptive Statistics

	N	Min	Mean	SD	Variance	Max
Financial Literacy	380	4.330	4.9193	0.198	0.039	5.000
Overconfidence	379	1.00	1.4412	.44555	.199	2.00
Economic Expectation	380	3.20	3.7316	.15152	.023	4.00
Personality	380	3.40	3.9547	.17571	.031	4.20

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Past Behavior	379	2.80	3.4691	.19619	.038	3.80
Investment Choice	378	2.75	3.6958	.35733	.128	
Valid N (listwise)	376					

Source: Author's Estimation

Mean: The mean value is approximately 3.9547, indicating that, on average, respondents perceive a moderately but somewhat positive personality among small and medium entrepreneurs.

Std. Deviation: The standard deviation of 0.17571 suggests that the scores are relatively consistent around the mean.
Variance: The variance of 0.031 quantifies the extent of spread in the scores.

Mean: The mean value is approximately 3.4691 indicating that, on average, respondents perceive moderately and somewhat positive past behavior among small and medium entrepreneurs.
Std. Deviation: The standard deviation of 0.19619 suggests that the scores are relatively consistent around the mean.
Variance: The variance of 0.038 quantifies the extent of spread in the scores.

4.3 Correlation Analysis

The process of conducting correlation analysis involves assessing the relationships between dependent variables and independent variables. The correlation coefficient value which is denoted by r and the range of the coefficient is between +1 and -1. In research studies, this analysis helps to identify if a relationship is present between the variables of interest. Among the available correlation calculation methods, for this research study the Pearson correlation technique is used to find the relationship between the independent and dependent variables.

Table 2: Correlation

Correlations							
		TCH	**TFL**	**TOV**	**TEE**	**TPS**	**TPB**
Pearson Correlation	**TCH**	1.000					
	TFL	0.731	1.000				
	TOV	-0.904	-.499	1.000			
	TEE	.872	.696	-.789	1.000		

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	TPS	.343	.338	-.235	.463	1.000	
	TPB	.755	.606	-.711	.779	.321	1.000

Source: Authors Estimates Based on Survey Data

There is a strong positive correlation (ρ = 0.731) between financial literacy and individual investment choice decisions. This suggests that as financial literacy increases, individual investment choice decisions tend to increase as well. Overconfidence and individual investment choice decisions having strong negative correlation (ρ = -0. 904) between. This indicates that as overconfidence increases, investment choice decisions tend to decrease. There is a strong positive correlation (ρ = 0.872) between economic expectation and individual investment choice decisions. This suggests that higher economic expectations are associated with more active investment choices. There is a moderate positive correlation (ρ = 0.343) between personality and individual investment choice decisions. This correlation is relatively weak compared to the other variables. There is a strong positive correlation (ρ = 0.755) between the impact of past behavior and investment choice decisions. This indicates that as the impact of investment choice decisions increases, individual investment choice decisions tend to increase as well.

In summary, the correlation analysis suggests that there are positive correlations between financial literacy, economic expectation, personality, past behavior, and negative relationship between overconfidence and the individual investment choice decisions among small and medium entrepreneurs. However, it's important to note that the correlation between personality and investment choice decisions, is relatively weak compared to
the other variables. These findings suggest that these psychological factors and financial literacy indeed play a role in investment decisions, with varying strengths of influence.

4.4 Regression Analysis

Prior to the regression analysis, the reliability of the questionnaire items was measured by conducting a Cronbach's Alpha test. Initially, the reliability of the items was checked by conducting a pilot test where the questionnaire was distributed among 30 small and medium entrepreneurs (more than 5% of the sample size), and based on the responses, the Cronbach Alpha value was tested. After ensuring that the reliability is in an acceptable range, the questionnaire was distributed to the sample size. The reliability analysis provides insights into the internal consistency of the measurement scales used for dependent variables.

It is crucial to ensure the validity of the measuring instrument in order to accurately measure the intended concept. Face validity is a method used to assess the content of a measuring instrument and determine if the items effectively measure the intended concept . It is a fundamental validity test commonly employed in research studies. In order to ensure face validity in this study, the researcher has carefully selected measurement indicators for the questions based on prior similar research studies. To ensure criterion validity, this study incorporates Kaiser-Meyer-Olkin measure of sampling adequacy calculated using the SPSS tool. Moreover, Regression Analysis Suitability is checked by multicollinearity, linearity, normality, homoscedasticity.

Researchers used multiple regression to test the research model and develop the regression equation for the current study. Further, take the P value, t value to identify the significance of the hypothesis.

Table 3: Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			VIF
1	(Constant)	0.024	.227		.105	0.916	
	TFL	.563	.036	.302	15.452	<0.001	2.030
	TOV	-.494	.019	-.622	-25.904	<.001	3.055
	TEE	.400	.076	.166	5.284	<.001	5.247
	TPS	.040	.033	.020	1.226	.221	1.351
	TPB	-.012	.043	-.007	-.285	.776	2.799

a. *Dependent Variable: TCH*

Source: Authors Estimates Based on Survey Data

$$Y=0.24 + 0.563*FL -0.494*OV + 0.400*EE + 0.040*PS - 0.012*PB$$

FL-Financial Literacy
OV- Overconfidence
EE-Economic Expectation
PS- Personality
PB-Past Behavior

Financial literacy positively predicts the investment choice decision (B=0.563). If financial literacy increases by one unit, investment choice decisions increase by 0.563 units. T value is 15.45 and P value <0.001. P values lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means “There is a significant impact of financial literacy on investment choice “.

Overconfidence negatively predicts the investment choice decision (B=-0.494). If Overconfidence increases by one unit investment choice decision decreases by 0.494 units. T value is -25.904 and P value <0.001. P value is lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means "There is a significant impact of overconfidence on investment choice ". Economic expectation positively predicts the investment choice decision (B=0.400). If economic expectation increases by one unit, investment choice decisions increase by 0.400units. T value is 5.284 and P value <0.001. P value is lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means "There is a significant impact of economic expectation on investment choice ".

Personality positively predicts the investment choice decision (B=0.040). If personality increases by one unit investment choice decisions increase by 0.040 units. T value is 1.226 and P value 0.221. P value is greater than the 0.005 and t value lesser than 1.96 depict that null hypothesis accepted and alternative hypothesis rejected. That means "There is a no significant impact of personality on investment choice".

Past behavior positively predicts the investment choice decision (B=-0.012). If past behavior increases by one unit, investment choice decisions increase by 0.012 units. T value is -0.285 and P value 0.776. P value is greater than the 0.05 and t value lesser than 1.96 depict that null hypothesis accepted and alternative hypothesis rejected. That means "There is a no significant impact of past behavior on investment choice ".

Table 4: Hypothesis Testing

Hypothesis	**Objective**	**t Value**	**P Value**	**Accept / Reject**	**Achieved /Not Achieved**
H1: There is a significant impact/influence of financial literacy on investment choice	Investigate the financial literacy impact on an individual's investment choice decision.	15.452	<.001	Accept	Achieved

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H2: There is a significant impact/influence of overconfidence on investment choice	Investigate the overconfidence impact on an individual's investment choice decision.	-25.904	<.001	Accept	Achieved
H3: There is a significant impact/influence of economic expectation on investment choice	Investigate the economic expectation impact on individual's investment choice decision	5.284	<.001	Accept	Achieved
H4: There is a significant impact/influence of personality on investment choice	Investigate the personality impact on an individual's investment choice decision.	1.226	.221	Reject	Not Achieved
H5: There is a significant impact/influence past behaviour on investment choice	Investigate the past behaviour impact on and individual's investment choice decision.	-.285	.776	Reject	Not Achieved

5. **CONCLUSION**

This research has provided valuable insights into the factors influencing investment choice decisions among small and medium entrepreneurs in the Colombo District. By examining the interplay of financial literacy, psychological factors (overconfidence, economic expectation, and personality traits and past behaviour), we have enhanced our understanding of the dynamics that shape entrepreneurial investment decisions.

The key findings of this study, as discussed in previous sections, highlight the significant roles played by financial literacy, overconfidence, economic expectations and past behavior in influencing investment choices. These findings have practical implications for entrepreneurs, policymakers, financial institutions, and educators. They underscore the importance of financial education, awareness of behavioural biases, and the need for a balanced approach to economic expectations in fostering more informed and effective investment decisions.

While this research has achieved several of its objectives by exploring the direct relationships between these factors and investment choices, further analysis is needed to address the objectives related to the personality and past behavior on investment choice decisions. These aspects represent promising areas for future research and expansion upon the current findings. Moreover, researchers suggest to future researchers that comparative research between different types of entrepreneurs, such as tech startups, traditional businesses, and social enterprises, can unveil unique decision-making patterns within various entrepreneurial contexts.

In conclusion, this study contributes to the growing body of knowledge in the field of entrepreneurship and financial decision-making. It underscores the significance of financial literacy and psychological factors in shaping investment choices among small and medium entrepreneurs. The recommendations provide a roadmap for stakeholders to enhance decision-making processes, ultimately fostering a more conducive environment for entrepreneurial growth and success in the Colombo District. As we move forward, continued research and collaboration can further refine our understanding of these complex dynamics and lead to more effective strategies for entrepreneurial investment decision-making.

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