

Behavioural Outcomes of Financial Education Workshops: An Experimental Study in Sri Lanka

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Abstract

The individual-investment behaviour has become more sophisticated in the past several decades. Some scholars have explored various demographic factors, predominantly the gender, that influences the individual investor behaviour. They suggest that financial education enhances the financial knowledge and financial literacy of an individual, which may play a critical role in equipping investors with the information, fundamental knowledge, and skills to evaluate their savings and investment options, and enables them to understand the implications of alternative financial decisions and hence leads to a positive financial behaviour. The present study attempts to evaluate the behavioural outcomes of financial education workshops on the financial behaviour of individual investors in Colombo Stock Exchange (CSE), Sri Lanka. It reports the views of 306 (N=306) CSE individual investors, randomly selected from 08 districts, namely: (a) Anuradhapura, (b) Badulla, (c) Galle, (d) Kurunegala, (e) Matara, (f) Negambo, (g) Polonnaruwa, and (h) Rathnapura, during October 2015 – April 2016. In collaboration with CSE, a series of financial education workshops were designed for these individual investors to educate them on how to improve financial literacy by providing them with the knowledge, aptitude and skills, which are necessary to become enlightened and informed investor of financial services and manage their finances effectively. The financial education workshop series consisted of two types of workshops; one-day financial education workshops for the existing investors to update their knowledge in investment literature, four-day workshops for the potential and new investors in CSE, which covered the fields of fundamentals of investment management, general and global economic affairs, cash flow management, and saving and investment behaviors. The effect of the financial education workshops on the financial behaviour of participants was assessed using 25 variables of financial behaviour, including cash management, credit management, saving behaviour, investment behaviour, and investor sentiments on 5-point scale: *never=1, seldom=2, sometimes=3, often=4*

and always=5. The data were analysed using SPSS (Version 20) software. Descriptive statistics, reliability analysis and normality-tests were conducted to assess the behavioural outcomes of financial education workshops on financial behaviour of the individual investors. The values of Cronbach's α coefficient for cash management (0.720), saving behaviour (0.739), investment behaviour (0.611), credit behaviour (0.657), and investor sentiments (0.711) indicate an acceptable level of internal consistency in the scale, confirming that the scale is reliable enough to use. The study found that financial education workshops can strengthen the financial literacy of individual investors ($\bar{x} = 3.72$, $SD=0.5403$), hence it can be concluded that, in particular, financial behaviour appears to be improved significantly after the workshop series. Furthermore, among the variables, the most significant influential factors on the financial behaviour among the individual investors in CSE were investor sentiments ($\bar{x} = 4.28$, $SD=0.679$) followed by credit management ($\bar{x} = 3.94$, $SD=0.808$), saving behaviour ($\bar{x} = 3.61$, $SD=0.778$), investment behaviour ($\bar{x} = 3.52$, $SD=0.899$), and finally investor cash management ($\bar{x} = 3.21$, $SD=0.769$). Specific findings may help financial education providers to design and implement such programmes more effectively and may provide guidelines to assess their impact.

Keywords: Behavioural outcomes; Colombo Stock Exchange; Financial education; Individual investors

This study was supported by Wayamba University of Sri Lanka (SRHDC/RP/04/15/08). Refer page 105 of the appendix for further details.