

**Impact of Psychological Factors on Financial Wellbeing of Equity Investors in  
Sri Lanka: Mediating Role of Financial Behavior**

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**Abstract**

This research examined the impact of psychological factors on financial wellbeing and the mediating role of financial behaviour on individual equity investors in Sri Lanka. This study drew upon the multi-theoretical linkage of wellbeing, social cognitive, cumulative prospect, and self-efficacy theories. As this study was based on positivism, deductive approach, and quantitative methodology, a survey strategy was used to collect data from 389 individual equity investors in Sri Lanka. The Kaiser-Meyer-Olkin measurement verified the sampling adequacy for the analysis, and Bartlett's sphericity test indicated that the correlation between items was large enough for Principal component analysis. In addition, the data were not influenced by multicollinearity, or common method bias. Further, all variables are reported validity and reliability. Results of the study indicate that the psychological factors and financial behaviour explained 30.9% of the variation in the financial wellbeing of individual equity investors. Based on the findings, the important mediator role of financial behaviour in improving financial wellbeing was evidenced. Results also

revealed that financial self-efficacy was not a significant predictor of financial wellbeing within the psychological factors. In contrast, financial risk tolerance was significantly negatively related to financial wellbeing. Accordingly, the results bear important implications for developing policies that aim to improve financial wellbeing among individual equity investors in Sri Lanka. Expansion of financial wellbeing research in this study to a different cultural background from an Asian perspective is valuable.

***Keywords:*** *Financial wellbeing, Financial risk tolerance, Financial self-efficacy, Financial behaviour, Individual equity investors.*

***JEL Classification:*** *G41*