Financial Literacy and Stock Market Participation among the Accounting and Finance Undergraduates in Sri Lanka

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Even though the capital markets are essential for economic growth, Sri Lankan households highly depend on personal savings for the accumulation of wealth. For several reasons, domestic investors may not prefer to invest in the capital markets, which are essential for economic development and from which the citizens can also benefit. In achieving individual financial wellbeing, financial literacy is crucial for making better investments and financing decisions. However, the proportion of young investors in Sri Lanka seems still low, with a lack of objective and subjective financial literacy. Through the lenses of Prospect Theory and Heuristic Theory, this study aimed at identifying whether undergraduates who possess sound financial literacy are willing to participate in stock market investment. A survey was conducted among randomly selected 306 final-year accounting and finance-specializing undergraduates at state universities in Sri Lanka. The multinomial logistic regression analysis was carried out to test the hypotheses of the study. The study found that there is no significant relationship between financial literacy and stock market participation of accounting and finance undergraduates at Sri Lankan state universities. This study provides information to interested parties in the financial and education sectors about the necessity of encouraging stock market participation and financial literacy among the young population. The study offers ideas on how to create financial education programs that will enhance financial literacy and promote stock market participation of undergraduates studying accounting and finance.

Keywords: Accounting and finance undergraduates, Financial literacy, Objective financial literacy, Subjective financial literacy, Stock market