

Behavioural Biases and Financial Literacy: A Study of Management and Non-Management Undergraduates in Rajarata University of Sri Lanka

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Abstract

Understanding behavioural biases is essential for undergraduates, as it fosters financial literacy and enables informed decision-making. Behavioural biases are well-studied in developed economies but underexplored in South Asian undergraduate contexts. Examining differences between faculties reveals how formal finance education impacts students' ability to manage behavioural biases and decision-making patterns. This study aims to examine how specific behavioural biases impact financial literacy among undergraduates and whether differences exist between management and non-management faculties. The study specifically examines five biases: overconfidence, representativeness, availability, loss aversion, and herding. A quantitative approach was adopted under a positivist paradigm. Data were collected through a structured online questionnaire from 367 undergraduates selected using stratified random sampling to ensure adequate representation of both management and non-management faculties, enabling valid comparative analysis. The instrument was pre-tested and validated through expert review and reliability testing (Cronbach's alpha) before data collection. Data analysis included descriptive statistics, independent sample t-tests, correlation, and regression analysis. The results indicate that overconfidence bias has a significant positive impact on financial literacy, while representativeness and loss aversion have a negative impact. Availability and herding biases showed no significant impact. The academic year has a positive impact on financial literacy, whereas gender shows no significant impact. The comparative approach provides new insights into the role of academic background and reveals that financial literacy is higher among management students compared to non-management students, indicating that academic background influences financial knowledge and behavioural patterns. Management students showed high overconfidence (trust in personal judgement) and high herding. The results provide practical insights for educators, curriculum designers, and policymakers to design programs that impact financial literacy effectively across both student groups.

Keywords: availability, herding, loss aversion, overconfidence, representativeness