

# **Taxonomy of Investor Behavioral Biases: A Study of BB&K Model**



**By**

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A thesis presented to Management Sciences Department of Bahria University, Islamabad in partial fulfillment of the requirements for the degree of Ms-Finance.

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(Hassan Mehmood Bhatti)

## **Dedication**

This thesis is dedicated to my parents who have been instrumental in successful completion of my thesis and Dr. Taqadus Bashir, without her dedicated support and supervision it would not have been possible.

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## ABSTRACT

*Human decisions both financial and social, are very much affected by the demographic characteristics they have, personality they carry and the society where they live. It leads them towards taking mental shortcuts and biased decision making. Few are victim of cognitive biases and few emotional biases in decision making without knowing about these biases. This study aimed to identify and classify the behavior biases by different sort of investors. Classification is based on three variables includes: (i) Demographic characteristics (Gender, Education, Age, Income Level), (ii) Job Categories (Students, Business Owners, Teachers, Bankers, Corporate Employees, Real Estate Investor, Stock Investor and Bond Holders), (iii) BB&K personality types (Adventurer, Guardian, Celebrity, Individualist and Straight Arrow). Behavioral Biases classified includes overconfidence, availability, representative, cognitive dissonance, self-attribution, loss aversion and regret aversion. Study gathered primary data through questionnaire survey. Structure questionnaire was developed on 47 questions to cover mentioned areas. Quota sampling technique was applied for sampling. Sample population include 50 investors from each job category were considered for analysis. A total of 400 respondents participated in survey and IBM SPSS software was used to perform analysis. ANOVA, Chi-square and Cross Tabulation were applied for classification of behavioral biases to independent variables. Results of this study supports that Behavioral biases are associated with the Demographic characteristics, job categories and BB&K personality types and classified these biases according to independent variables. Moreover, results also revealed that financial decision making is influenced by cognitive and emotional biases.*

**Key words:** Behavioral biases, cognitive biases, emotional biases, financial decision making, job category, demographic characteristics, BB&K personality types.