

**BEHAVIORAL FACTORS INFLUENCING THE INDIVIDUAL  
INVESTORS DECISION MAKING: CASE OF KSE**

**By**

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## ABSTRACT

**Aim of The study:** Behavioral finance is an emerging field of finance which is a combination of finance and psychology. This paper focuses on the behavioral factors that influence the decisions of individual investors and their performance regarding investment at karachi stock exchange.

**Method:** This study is based on primary data with a sample size of 119 individual investors from karachi stock exchange. Exploratory factor analysis is applied on the very first stage to extract those variables that have impact and to group them in suitable factors. One sample t-test and correlation test applied on four behavioral factors to check the level of impact and influence on individual investors' decisions and their investment performance.

**Results:** The findings reveal that the extracted variables that have eigen value greater than 1 are grouped into four behavioral factors. These four behavioral factors have significant impact on individual investors decisions and positive but low influence on investors' performance regarding investment.

**Practical Implications:** This study would be useful for the individual investors to better understand the behavioral variables and their impact before taking any serious investment decision. Furthermore, this research would be also helpful for the financial institutions to predict the investors' decisions and can provide them better recommendations. This research is also providing a valuable chance to the researcher to learn more about traditional finance and in detail about behavioral finance.

**Keywords:** Behavioral Finance, Rational investors, Heuristic, Frame dependence, Market inefficiency, Herding



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