
**MODERATING ROLE OF FINANCIAL LITERACY ON
BEHAVIORAL BIASES AND FINANCIAL DECISION: A CASE
OF STOCK EXCHANGE AND REAL ESTATE**



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*A thesis submitted to the Department of Management Sciences, Bahria University Islamabad
in partial fulfillment of the requirements for the degree of*

**MS FINANCE
FACULTY OF MANAGEMENT SCIENCES
BAHRIA UNIVERSITY, ISLAMABAD
2019**

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Abstract

The aim of this study is to examine and find out the association between behavioral biases and financial decision. Moreover, this study also determines the moderating role of financial literacy on behavioral biases and financial decision. In this study behavioral biases includes overconfidence bias, self-attribution bias, loss aversion bias, regret aversion bias, optimism bias and cognitive dissonance bias. Data is collected using questionnaire from sample 260 investors who are trading in stock exchange and real estate. Six-point Likert scale and stratified random sampling technique has been used. Multiple statistical techniques i.e. reliability test, correlation, regression and descriptive analysis is used. The findings of this study confirmed that there is a negative impact of behavioral biases on financial decision. Additionally, financial literacy shown positive association with financial decision. Lastly, findings have shown significant interaction effect of financial literacy on financial decision. This research has been aimed to provide beneficial outcomes for investors by throwing light on the potential means of focusing financial decision making. This research shall bolster the skills of the investors by assessing their psychological biases and be cautious at the time of making decision for investment in the market. Researchers can recreate this review in different nations with culture or settings not quite the same as Pakistan to observe and bolster the generalizability of this research. Moreover, other Asian countries may also be examined to know similarity and differences.

Keywords: overconfidence bias, self-attribution bias, loss aversion bias, regret aversion bias, optimism bias, cognitive dissonance bias, financial literacy and financial decision