

ABSTRACT

The theory of traditional finance is based on the principle of utility maximization and explains how rational people take their financial decisions. Though the theory provides several insights, observation of real behavior of people was seen to be different from what the theory predicted. Behavioral finance is a new and emerging discipline which integrates psychology and economics. It tries to study the irrational behavior of the investors. Many behavioral economist rely on the basic assumption of traditional finance of individuals being rational was very impractical. Investors are disposed to numerous biases that avoid individuals from making good investment decisions. The traditional finance theories played a very limiting role in understanding the most important factor that of human behavior in the investment process. This limiting factor paved a way for the many researchers to bridge this gap and that has led to the emergence of behavioral finance. This study investigates the impact of behavioral biases (overconfidence, reliance on expert opinion, self-control, adaptive tendency, and spouse effect) on financial satisfaction of investor. Various statistical tools were applied such as, T-test, Correlation, Regression, Cronbach's Alpha and PCA was calculated. Results of the study revealed that overconfidence bias, reliance on expert opinion, self-control, adaptive tendency and spouse effect have a positive and significant association with financial satisfaction of investor. In the future researchers may use this study as a base and can investigate different behavioral biases as moderating or mediating variables and their effect on financial satisfaction.

Key words: Behavioral finance, financial satisfaction, individual investor biases

Dedication

First and foremost, I thank God for the sufficient strength He gave me to pursue this project from the inception to the end.

I would like to dedicate this thesis to my beloved parents. Today I am at this stage of my life due to their dedication to me in every field of life.

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*If oceans turn into ink and all of the wood becomes pens, even then the praises of “**Allah Almighty**” cannot be expressed. She is who created the universe and knows whatever, is there in it, hidden or evident and who bestowed upon me the intellectual ability and wisdom to search for the secrets. I must bow my head before Allah Almighty who is compassionate and merciful and whose help enabled me to complete this work, which marks an important turning point in my life. Countless salutations are upon the “**Holy Prophet Muhammad** (Sallalloho Alaihi Wasallam”, the city of knowledge who has guided his “Ummah” to seek knowledge from cradle to the grave.*

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