

HOW BEHAVIOURAL BIASES AFFECT INVESTMENT DECISION ? EVIDENCE FROM AMMAN STOCK EXCHANGE

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ABSTRACT

This study investigates the effect of behavioral biases on investment decision in Amman Stock Exchange. In specific, the effects of overconfidence bias, familiarity bias, loss aversion bias, disposition bias, availability bias, representativeness bias, confirmation bias and herding bias are investigated. Moreover, the study inspects whether the effect of behavioral biases on investment decision differs between males and females. To accomplish the objectives of the study, 300 questionnaires are distributed. Based on the answers of 236 respondents, the t-statistic and the Chi-square test show that investors are highly affected by all the investigated biases. However, no statistically significant differences are found between males and females.

KEYWORDS: Behavioral Biases, Investment Decision, Gender, Overconfidence, Familiarity, Loss Aversion, Disposition, Availability, Representativeness, Confirmation, Herding, Amman Stock Exchange.