

Market Minds: Exploring Behavioral Catalysts and ESG Factors in Pakistani Individual Investors Trading Performance: A Qualitative Study Approach

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Abstract:

The main purpose of this study was to explore how individual investors' behavioral factors impact their trading performance in the Pakistan Stock Exchange (PSX), with a focus on Environmental, Social, and Governance (ESG) considerations. The research has been conducted using a qualitative approach and thematic analysis, data collected from 21 structured interviews reveals that behavioral biases significantly impact trading performance. Investors acknowledged the influence of behavioral biases on their investment decisions but ignored ESG considerations. The findings indicate that Investors acknowledge behavioral biases but ignore ESG considerations, relying on fundamental analysis and collective information. Similarly, they are influenced by market trends, exhibiting optimism or pessimism accordingly. In contrast, investors prefer investing in familiar businesses and prioritize loss minimization over profit maximization due to risk aversion. According to the result, inexperience and limited knowledge lead to poor portfolio management and herding behavior. Furthermore, Investors rely on historical experiences and previous trends, ignoring ESG principles due to a lack of understanding. Despite prioritizing financial gains, investors show interest in ESG-related stocks if they understand the positive impact.

This research contributes to the domain of behavioral finance, emphasizing the importance of integrating behavioral factors and ESG considerations in investment decision-making. The findings have implications for individual investors, publicly listed companies, the PSX, and regulatory bodies in emerging economies.

Keywords:

Behavioral finance, Trading performance, ESG, Pakistan Stock Exchange.