

Post COVID-19 Analysis of Conservatism Effect Bias on Individual Investors of the KMI-30 Index at Pakistan Stock Exchange

Mujahid Gul¹ Adeel Rahim²



¹ Undergraduate (BS), Department of Management Sciences, FATA University, Dara Adam Khel, Kohat, Khyber Pakhtunkhwa, Pakistan.

² Lecturer, Department of Management Sciences, FATA University, Dara Adam Khel, Kohat, Khyber Pakhtunkhwa, Pakistan.

This Article may be cited as Gul, M., & Rahim, A. (2023). Post COVID-19 Analysis of Conservatism Effect Bias on Individual Investors of the KMI-30 Index at Pakistan Stock Exchange. *The Regional Tribune*, 2(1), 17-30.

<https://doi.org/10.63062/trt/2k23a.23207>

Correspondence addressed to Adeel Rahim. ✉ adeel.rahim@fu.edu.pk

Abstract: This study examines how conservative bias affected Pakistan Stock Exchange KMI-30 index investors after COVID-19. The main goal is to assess conservative bias in Pakistani stock market decision-making. Data from 162 respondents was carefully collected and analyzed using logistic regression, association testing, descriptive statistics, and correlation analysis. The study illuminates the impact of conservative bias on Pakistan's stock market investment selections. Both male and female investors react similarly to conservative bias, indicating that gender does not greatly change its effects. Conservative bias is more common in highly educated people, especially those with graduate and doctoral degrees. Younger investors (18-25) are less susceptible than 26-30-year-olds. Investors with one to three years of experience are more conservative, while those with less than a year or over three years are less vulnerable. Marital status barely affects financial prejudice. These findings emphasize the importance of demographic and experience characteristics in investment strategies and financial advice. The study underlines that good investment requires understanding psychological aspects affecting investor behavior, not just numbers. Understanding the human aspect in investment decision-making can help financial advisers, and regulators tailor advice and regulations to the varying needs and vulnerabilities of different investor groups, creating a more informed and resilient investing community.

Key Words: COVID-19, Conservatism, KMI-30 Index, Pakistan, Stock Exchange

Introduction

Conservatism effect bias refers to the capacity to make decisions based on irrational finance, which is caused by emotion and imagination. The current study shows that it plays a vital role in investment decisions. The researcher analyzes the conservatism bias effect on the individual investor of the km-30 index at the KMI-30 index of the Pakistan stock exchange in post coved- 19 (Lee K et al., 2005).

Conservatism Effect

The process of mentality in which people fore costs their expenditure /expense by taking or receiving new information regarding investment. Conservatism bias is a mental process in which people cling to them for cost at expense while taking new information. For example, it is found in business and investing. When you believe there must be a reason that stocks will lead. However, issues are raised, and leadership agrees that the investor does not take action as quickly as he can because he is holding in an impression that is generated in his /her mind.

In the economic model, earning management and conservatism introduce biases to financial reports. His monograph's main concern is the impact of economic biases on earning quality. A manager intentionally misses representing the financial information of the company to batter the economic position of the firm in

the mind of the customer. It has connotations of worse doing, mishap, fraud, and even planned like other criminal activities, the conservatism effect is similar to that of management because it also introduces bias in financial reports (Lara J et al., 2016).

Types of Investors

There are three types of investors regarding the decision

- I. Rational investors are those investors who collect the right and needed information about stocks in which they want to invest.
- II. Conservative investors are those investors who follow those investors who earn a lot or who make a name in the stock exchange, in which time or situation they make what type of decision they make as well.
- III. Lack of skills investors are those investors who hire specialists to buy and sell stocks, make useful portfolios, and generate profit.

The degree to which new information and events are absorbed by firm stocks in terms of price movement also depends on how each financial decision-maker personally interprets certain news. Based on the likely future performance of the equities, this might lead to the investor underreacting or overreacting, which would increase market volatility. (Vlastakis, N., & Markellos, R. 2012)

KMI -30 Index

At the beginning of the KMI-30 index of the Pakistan stock exchange, there were traded only conventional securities and stocks, but when demand for Islamic stocks and securities were developed, they began to develop an Islamic market where buying and selling of stocks and securities were traded according to Islamic sharia. For that purpose, KMI 30 was established on June 30, 2008. According to Islam, interests are prohibited from every aspect of life, whether they are selling or buying or any kind of business or dealing with others. They might be from any religion or region, and interest should be banned from Islamic theory or point of view. KMI 30 is part of the KMI-30 index of the Pakistan Stock Exchange. It is the stocks of those companies who are running their system according to Islamic sharia and principles and avoid interest system provide their stock to those investors who do not take part in interest-bearing securities and stocks so we can say that it is favored to generate Islamic security market in the world of the stock exchange and to provide the opportunity to earn money (Sayani, H., & Balakrishnan, M. (2013).

Problem Statement

Individual investors could not resist the investor's persuasion. Conservatism bias at the KMI-30 index of Pakistan stock exchange in post-COVID-19 epidemic on a monthly/daily basis while investors make decisions to analyses and avoid this conservatism influence bias the difficult scholar would analyze its impact on private investors decision at KMI-30 index of Pakistan stock exchange during post COVID 19.

Research Objectives

To find the effect of conservatism bias on the individual investor of the KMI-30 index of the Pakistan stock exchange in post-COVID-19

To analyze the effect of conservatism bias on the individual investor of the KMI-30 index of the Pakistan stock exchange

Research Questions

- Find the effect of conservatism bias on individual investor decisions of the KMI 30 index in post-COVID-19.

- Analyze the effect of conservatism bias on the individual investor of the KMI 30 index post-COVID-19.

Research Significance

The research is significant or useful for investor decisions. It provides the important steps and related and required information for decisions while investing in securities and stocks and making a reasonable portfolio.

Research Gap

To my best knowledge, there is no specific study in Pakistan has been published on this topic, while some other research are done in foreign countries. We discover that the consistency sequences of the two extreme earnings growth portfolios elicit distinct responses from investors (Wu, Wu & Liu.,2009).

US, there may be published research, but they are on conditional conservatism, which does not address the conservatism effect bias on individual investors. On the KMI 30 index, there is no research published to date.

Theoretical Formwork

Daniel Kahneman and Amos Tversky created the psychological and behavioral economics theory known as prospect theory in 1979. It is a descriptive model designed to describe how individuals make decisions that include risk and uncertainty, especially when faced with options that have a wide range of potential outcomes. By acknowledging that humans don't always make rational judgments when it comes to decisions involving probability and possible profits or losses, prospect theory differs from conventional economic theories like anticipated utility theory (Goldberg, 2013).

Prospect Theory's Fundamental Ideas and Tenets Include

Value Function: In prospect theory, humans evaluate future results by measuring them against gains and losses relative to a reference point, typically the current state or the status quo. The value function, depicted as an S-shaped curve, illustrates how individuals perceive gains and losses. Individuals tend to take more chances when there are potential gains and fewer risks when facing potential losses.

One fundamental concept of Loss aversion, a concept within prospect theory, describes the inclination of individuals to prioritize avoiding losses more than gaining equivalent gains. Losing has a more significant psychological impact than winning, potentially leading to risk-averse behavior (Chiu, A., & Wu, G. (2018).

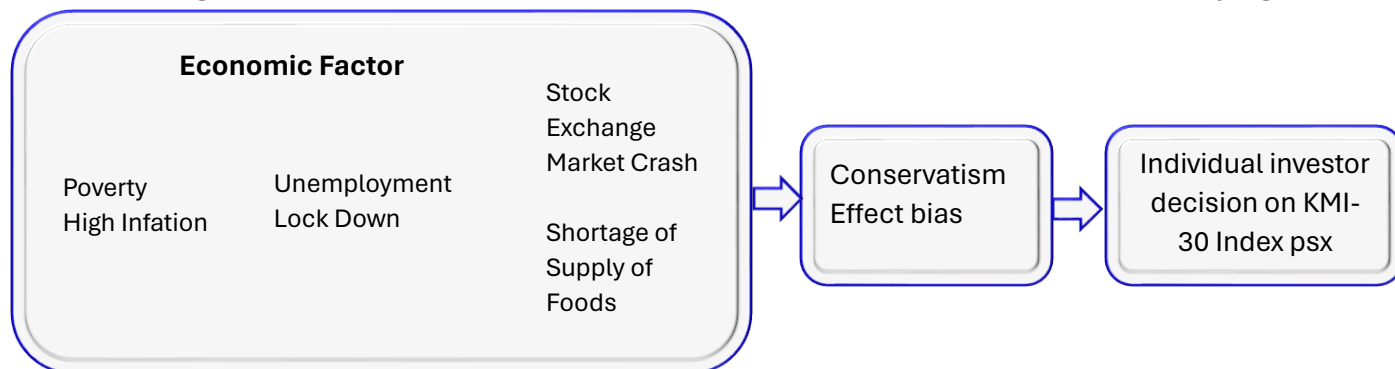
Diminishing Sensitivity: According to prospect theory, individuals exhibit reduced sensitivity to changes in outcomes and likelihood as they distance themselves from the reference point. This suggests that decision-making is more influenced by small changes in probabilities or outcomes at the reference point than by identical changes that are further away from the reference point (Li, Y., & Yang, L. (2010).

The Framing effect: The presentation or framing of an issue or decision can significantly influence people's decisions. For example, presenting information in terms of potential gains rather than losses could impact decision-making, even when the underlying probability and outcomes remain unchanged (Gonzalez et al., 2005).

Prospect theory has been used to explain a number of real-world events, including consumer behavior, public policy choices, and investor behavior in financial markets. It explains why individuals could act irrationally when faced with uncertainty and why they might be more inclined to take chances in order to prevent losses.

Prospect theory, which offers a more realistic account of how people really make decisions under settings of uncertainty and risk, has generally had a significant impact on the disciplines of psychology,

economics, and behavioral economics. It emphasizes the significance of emotional and cognitive aspects in decision-making and casts doubt on the conventional notion that economic models must be strictly logical.



Hypothesis

- H1: There is the effect of conservatism bias on individual investor decisions of the KMI 30 index in post-COVID-19.
- H2: To analyze the effect of conservatism bias on the individual investor of KMI30 post-COVID-19.

Methodology

Nature of Research

Some hypotheses on the influence of the conservatism effect bias on individual investors' investment choices in the Karachi Meezan stock market (KMI) during the COVID-19 pandemic were put forth based on the literature research, and these hypotheses were then put to the test via self-report. The study will be quantitative in nature, and the primary data will be gathered using a questionnaire survey approach before being randomly selected from a stratified sample.

Distribution of Sample

The sample was distributed through online E-mail and WhatsApp groups. I also distributed questionnaires to the stock exchange of Islamabad, the stock exchange, and Lahore and FATA university students. Researchers developed a sample profile of an individual investor based on some traits like Stock investors with expertise who are older than 30 and have one to five years' worth of experience. Young stock traders under 30 with just a year of trading experience.

Technique

We run the same test, which includes statistical analysis, correlation analysis, association analysis, and logistic regression.

Results and Discussion

Table 1

Distribution of sample size gender-wise

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	151	89.2	89.2	89.2
Female	11	10.8	10.8	100.0
Total	162	100.0	100.0	

The above table displays the gender distribution of the 162 respondents who made up the entire sample. Men who responded with Ere were determined to be 144, or 89.2% of the sample size's total population. There were 11 female responders, or 10.8% of the population, according to the data.

Table 2*Distribution of sample size education level*

	Frequency	Percent	Valid Percent	Cumulative Percent
0.00	8	1.7	1.7	1.7
Graduate	11	6.9	6.9	8.7
Master and above	68	42.4	42.4	51.1
Other	77	48.9	48.9	100.0
Total	162	100.0	100.0	

The distribution of the entire sample size of 162 respondents by educational level is shown in the above table. There were 11 graduate responders, or 6.9% of the total population. There were 68 responders with master's degrees or more, or 42.4% of the population. There were 77 respondents with other educational backgrounds, which was 48. % more than the proportion of graduates and masters responders throughout the whole population under investigation.

Table 3*Sample size distribution based on age*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid .00	1	.6	.6	.6
18-25	14	8.6	8.6	9.2
26-30	65	40.1	40.1	49.3
36-45	37	22.8	22.8	72.1
46- ⁵⁵	19	11.7	11.7	83.8
55 above	26	16.0	16.0	100.0
Total	162	100.0	100.0	

The table above displays the distribution of the total sample size of 162 respondents by age level. Fourteen respondents, representing 8.6% of the total population being studied, fell between the age range of 18 to 25. Sixty-five respondents in this age category account for 40.1% of the total population, exceeding the average of other age groups. Thirty-seven respondents, aged between 16 and 21, accounted for 22.8% of the total population. Nineteen responders aged 9 to 10 accounted for 11.7% of the total population. Twenty-six respondents, representing 16.0% of the total population being studied, were 20 years old or older.

Table 4*Sample size distribution based on marital status*

	Frequency	Per cent	Valid Percent	Cumulative Per cent
0.00	2	1.3	1.3	1.3
Single	36	22.2	22.2	23.4
Married	110	67.9	67.9	91.6

Divorced	14	8.6	8.6	100.0
Total	162	100.0	100.0	

The distribution of the 162 respondents' total sample size according to marital status is shown in the above table. There were 36 single responders or 22.2% of the total population under investigation. The number of married respondents was determined to be 110, which represents 67.9% of the total population and is larger than the number of respondents in other categories. There were 14 divorced respondents or 8.6% of the total population under investigation.

Table 5

Sample size distribution based on experience and gender-wise

Variables	Years of experience	Male and Female			
		Male		Female	
		Count	Table N %	Count	Table N %
	Less than one year	21	13.2%	14	3.0 %
	1 to 3 years	81	50.4%	20	4.3 %
	More than three years	41	25.5%	16	3.5 %

The distribution of the entire sample size of 162 respondents based on experience and gender is shown in the above table. One year or less of experience. The average age of the male respondents, who make up 13.2% of the overall population under investigation, was 21.1–3 years of expertise. Male respondents made up 81 of the total respondents, which is greater than other categories of respondents and accounts for 50.4% of the population. Male respondents with more than three years' experience were determined to be 41, which represents 25.5% of the overall population under examination.

One year or less of experience. There were six female responses, representing 3% of the total population under investigation. The number of female responders with 1-3 years of experience was determined to be 7, which accounted for 4.3% of the population overall. Experience of at least three years. There were six female responses, representing 3.5% of the total population under investigation.

The distribution of the 162 respondents' total sample size by age level is shown in the above table. 13 respondents, or 8.4% of the total population under investigation, were between the ages of 18 and 25. Respondents between the ages of 26 and 30 were 65, which represents 40.5% of the overall population and is greater than responses from other age groups. The percentage of respondents between the ages of 36 and 45 was 37, or 22.7% of the overall population. Nineteen respondents—or 12.1% of the population—were between the ages of 46 and 55. Twenty-five respondents, or 15.8% of the total population under investigation, were over the age of 55.

Table 6

Sample size distribution based on marital status

	Frequency	Per cent	Valid Percent	CumulativePer cent
0.00	6	1.3	1.3	1.3
Single	35	22.1	22.1	23.4
Married	110	68.2	68.2	91.6

Divorced	13	8.4	8.4	100.0
Total	162	100.0	100.0	

The distribution of the 162 respondents' total sample size by marital status is shown in the above table. Thirty-five respondents were determined to be single, representing 22.1% of the entire population under investigation. There were 110 married respondents, which represents 68.2% of the total population and is greater than other groupings of respondents. There were 13 divorced respondents or 8.4% of the total population under investigation.

Table 7

Sample Size distribution based on experience and gender-wise

Variables	Years of experience	Male and Female			
		Male		Female	
		Count	Table N %	Count	Table N %
	Less than one year	21	13.2%	14	3.0 %
	1 to 3 years	81	50.4%	20	4.3 %
	More than three years	41	25.5%	16	3.5 %

The distribution of the entire sample size of 162 respondents based on experience and gender is shown in the above table. One year or less of experience. The average age of the male respondents, who make up 13.2% of the overall population under investigation, was 21.1–3 years of expertise. Male respondents made up 81 of the total respondents, which is greater than other categories of respondents and accounts for 50.4% of the population. Male respondents with more than three years' experience were determined to be 41, which represents 25.5% of the overall population under examination.

One year or less of experience. There were five female responses, representing 3% of the total population under investigation. The number of female responders with 1-3 years of experience was determined to be 7, which accounted for 4.3% of the population overall. Experience of at least three years. There were five female responses, representing 3.5% of the total population under investigation. Were discovered to be 7, or 4.3% of the population under examination. There were two responders with graduate degrees and more than three years of experience, or 0.4% of the overall population under investigation. Ten respondents had less than one year of experience and a master's degree or above, or 6.7% of the population under investigation. Thirty-eight individuals with 1-3 years of experience and Masters degrees or above were discovered, or 23.8% of the overall population. There were 19 responders with master's degrees or above who had more than three years of experience, or 11.9% of the population. There were 12 responders with less than one year of experience and other degrees, or 7.4% of the population under investigation. There were 41 responders with 1-3 years of experience and other degrees, or 25.8% of the population. Experience of at least three years. The average age of respondents with other degrees was 25, which represents 15.8% of the overall population under investigation and was higher than the average age of respondents in other respondent groups with education and experience.

In this research, we employ descriptive statistics such as minimum, maximum, mean, standard deviation, skewness, and kurtosis to effectively characterize and examine the data from our selected sample. The mean assists in determining the average value and its impact on investment decision-making, while the minimum and maximum values help identify the lowest and highest conceivable values.

To gauge the influence of investor biases on investment decisions, we calculate the simple means of each variable. Similarly, we identify the mean values of respondents' ratings for each variable to assess the factors influencing investment choices. Only variables that pass both factor analysis and Cronbach's alpha test are considered in this section, showcasing their results.

Given that the impact levels of these factors are measured using 5-point Likert scales, their mean values serve as a metric to ascertain their influence on investment decisions. According to predefined criteria, when the mean value falls between 3 and 4, it signifies that the factors have significant effects.

Table 8*Descriptive statistics of conservatism bias factors*

Sub Factors	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Statistic	Skew ness Statistic	Kurtosis Statistic
C1	1.00	5.00	3.2857	1.45077	-0.614	-0.751
C2	1.00	5.00	3.6061	1.27406	-0.817	-0.232
C3	1.00	5.00	3.9719	1.09290	-1.286	1.241
C4	1.00	5.00	3.6017	1.21158	-0.912	0.212
C5	1.00	5.00	3.0433	1.39657	-0.322	-1.224
C6	2.00	5.00	3.9437	2.63488	1.749	1.932
C7	1.00	5.00	3.7554	1.30189	-0.919	-0.293

The levels of investor biases' impact on investing decisions are calculated by calculating the simple means of each variable. Similar to this, in order to assess the investment decision criteria, the mean values of the respondents' evaluations for each variable are determined. This section presents the results for only those variables that pass the aforementioned factor analysis and Cronbach's alpha test. Since these elements' effect levels are quantified using 5-point Likert scales, it is possible to use their mean values to estimate how much of an impact they will have on investment choices by applying the following guidelines: The variables are likely to have a noticeable impact when the mean value is between 3 and 4.

Higher than zero leptokurtic distribution or heavier tails. While negative kurtosis was seen in the other components, this indicates that these factors have platykurtic or light-tailed distributions that are smaller than zero.

Table 9*Descriptive statistics conservatism bias*

Variable	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Statistic	Skewness Statistic	Kurtosis Statistic
Conservatism bias	1.43	11.57	3.6011	0.67072	3.325	42.435

In the table provided, the mean value is 3.60, falling within the range of 3 to 4. This indicates that the Overconfidence bias significantly influences the investment decisions of Pakistani stock investors.

Correlation Analysis

Correlation analysis is used to determine if there is a linear relationship between the many elements that make up a single variable. The researcher utilized the Rank Correlation approach since the data is categorical in

nature, and if a linear connection exists, it might be positive or negative as well as statistically significant or not. The optimal strategy for categorical data is rank correlation, according to Chaudhry and Kamal (2016) in their book Introduction to Statistical Theory.

Table 10*Rank correlation in conservatism bias*

Correlation between sub-factors of conservatism bias							
Factors	C1	C2	C3	C4	C5	C6	C7
C1	1.000.	.142**	.016	.078	.145**	.007	.033
		.002	.731	.092	.002	.878	.477
C2	.142	**	1.000	-.063	.100*	.004	-.035
	.002		.177	.031	.934	.475	.453
C3	.016	-.063	1.000	.008	.031	-.067	.144**
	.731	.177		.865	.506	.150	.002
C4	.078	.100*	.008	1.000	.196**	.115*	.021
	.092	.031	.865		.000	.013	.655
C5	.145	**	.004	.031	.196**	1.000	.192**
	.002		.934	.506	.000		.000
C6	.007	-.033	-.067	.115*	.192**	1.000	.070
	.878	.475	.150	.013	.000		.132
C7	.033	-.035	.144**	.021	.024	.070	1.000
	.477	.453	.002	.655	.601	.132	

** . Correlation is significant at the 0.01 level (2ailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

The aforementioned table demonstrates the strength of the linear link between several elements that are utilized to create a correlation matrix that favors conservatism. The correlation matrix comprises the findings of rank correlation coefficients and p-values of significance and significance since the data set containing these elements is categorical in nature. It is clear that component C1 has positive correlations with all other factors, but C2 and C5 have very strong and significant correlations (p-value for both =.002). C2 and C4 show a positive and substantial association, whereas C2 and C5 also show a positive but negligible correlation. Negative and negligible correlations have been found between C2 and other variables. Except for C7, which is highly associated with C3, all of the correlations between C3, C4, C5, and C7 are positive and significant. The connection between C4 and C5 was negative and negligible. Except for C7, whose relationship with C4 is positive and significant, the findings of the correlation of C1 with C2, C3, and C4 indicated positive and extremely significant results. Similar to this, it is found that there is a positive and strong association between C5 and C6, C7, and C6 and C7.

Association Method

In statistics, the measure of association is used to express how closely two or more variables are related. The association approach assesses hypotheses that the logistic regression model does not support.

Table 11*Association of investor decisions and gender*

Status		Male	Female	Total
Investor decisions	Disagree	24	3	27
	Agree	120	15	135
Total		144	18	162

Chi-square 0.673 P-value = 0.412

It is clear from Table 1.11 that out of the 162 respondents, 27 disagree that investor prejudices influence investing decisions, with 24 being males and the remaining 3 being women. The other 135 respondents concur that investor prejudices affect investing choices. Chi-square = 0.673 and P-value = 0.412 > 0.005 indicate that there is often no significant correlation between gender and investor decisions, indicating that respondent gender has no impact on these choices.

Table 12*Association of investor decisions and education*

Status		Education level				Total
		.00	Graduate	Masters	Other	
Investor decisions	Disagree	2	4	11	3	27
	Agree	3	7	56	22	135
Total		5	11	67	79	162

Chi-square 13.684 P-value = 0.003

According to Table 1.12, out of a total of 162 respondents, eight did not identify their level of education, yet two disagreed, and six concurred that investor biases influence investment decisions. Eleven respondents with graduate degrees agreed that investor prejudices affected investing choices, whereas four disagreed. In a similar vein, of the 135 respondents with a master's degree or more, 56 agreed that investor prejudices influenced investing decisions, while the other 11 disagreed. The majority of respondents, 226 of whom have degrees in education, agreed that investor prejudices influence investing decisions. Of the remaining 68 respondents, ten disagreed. The remaining 135 respondents, or 27 in total, agreed that investor prejudices can influence investing choices. However, Chi-square = 13.684 and P-value = 0.003 < 0.05 indicate that there is a strong correlation between investor decisions and education, demonstrating the importance of respondent education in influencing investor choices.

Table 13*Association of investor decisions and age*

Status		Age					Total	
		.00	18 -25	26-30	36-45	46 -55		55 above
Investor decisions	Disagree	5	3	9	5	3	2	27
	Agree	3	10	55	31	17	19	135
Total		8	13	64	36	20	21	162

Chi-square 9.909 P-value = 0.078

The connection between respondents' investment decisions and age is seen in Table 1.13. Five respondents disagreed, and three agreed that investor prejudices influence investing decisions; two respondents did not state their age, as shown by 0.00. There are 13 respondents in the 18 to 25 age range, of whom three disagree, and the rest 8 concur. The majority of respondents (64), 9 of whom disagreed, and 55 of whom agreed that investor prejudices influence investing decisions, were between the age range of 26 to 30. In contrast, 135 of the 162 respondents agreed that investor prejudices influence investing decisions, while 27 disagreed. However, the total Chi-square value of 09.909 and P-value of 0.008 0.05, which indicates that respondent age has a statistically significant influence on investment decisions, show a substantial correlation between respondent age and investment decisions.

Table 14*Association of investor decisions and experience*

Status		Years of experience			Total
		Less than one year	1 to 3 years	More than 3 years	
Investor decisions	Disagree	5	18	4	27
	Agree	15	70	50	135
Total		20	88	54	162

Chi-square 7.176 P-value = 0.028

Results of the correlation between respondents' investment decisions and their experiences are shown in Table 1.14. Twenty respondents with less than a year of experience responded, of whom 15 agreed with the statement that investor prejudices influence investing decisions, and five disagreed. One to three years of experience accounted for the majority of respondents (88), of whom 18 disagreed and 70 agreed that investor biases influence investing decisions. There were 54 responders overall with more than three years of experience, of whom four disagreed and 50 agreed. However, 135 of the 162 respondents agreed that the respondents' experience influenced their investing selections, whereas 27 disagreed. But generally, there is a substantial correlation between respondent experience and investment choices, as shown by the Chi-square value of 7.176 and the P-value of 0.028 0.05, which indicates that respondent experience has a statistically significant influence on choices.

Table 15*Association of investor decisions and marital status*

Status		Marital Status				Total
		.00	Single	Married	Divorced	
Investor decisions	Disagree	3	4	19	1	27
	Agree	4	30	89	12	135
Total		7	34	108	13	162

Chi-square 3.834 P-value = 0.280

Results of the correlation between respondents' investment decisions and marital status are shown in Table 1.15. Three disagreed, and five agreed that an investor's marital status could influence their choice of investments among the six respondents who did not disclose their marital status. 30 people, including four single people, agreed that marital status has an influence on financial decisions, whereas only four people

disagreed. The majority of respondents—108—were married, with 19 of them disagreeing and 89 of them agreeing that marriage should influence financial decisions. 13 people, the minimum number of respondents in the category of divorced, were polled; 1 of them disagreed with this statement, while 12 did. However, out of the 162 respondents, 135 agreed, and 27 disagreed that respondents' marital status influenced their investing selections. However, the correlation between respondent married status and investment choices is generally found to be inconsequential with Chi-square = 3.834 and P-value = 0.280 > 0.05, indicating that there is no statistically significant correlation between respondent marital status and investor choice.

Logistic Regression

Logistic regression is used to determine the significance of each independent variable's influence on the dependent variables as well as the direction of that influence (both positive and negative).

Table 16

Logistic regression model summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	383.150 ^a	49.547	64.764

The parameter estimations changed by less than .001, leading to the termination of the estimation process at iteration number 5.

The parameter estimations changed by less than .001, leading to the termination of the estimation process at iteration number 5. The model's performance results, indicated by -2 Log-likelihood and two types of pseudo R, are presented in Table 1.16. The fitted model's explained variance was calculated using the square method. The Cox & Snell R Square value of 49.547 and Nagelkerke R Square value of 64.764 suggest that around 50% and 65% of the dependent variable's variance can be explained by the independent variables, respectively. This outcome is considered satisfactory.

Conclusion

This research has explored conservatism bias among individual investors in the KMI-30 index of the Pakistan Stock Exchange after the COVID-19 pandemic. The study aims to determine how cognitive bias influences investing decisions and explore demographic and experience characteristics that contribute to susceptibility to conservatism prejudice. The study's results offer useful insights into the impact of conservatism bias on investment choices. Gender does not have a substantial impact on susceptibility to conservatism prejudice, indicating that both male and female investors react similarly to this cognitive bias. Education level, age, and experience were identified as crucial characteristics that impact the extent to which investors are influenced by conservatism bias. Individuals with advanced education, younger investors, and those with minimal experience are particularly prone to this bias. The research highlighted the varying effects of conservatism bias on different demographic groups. This variety emphasizes the intricate nature of investor behavior and emphasizes the necessity for tailored financial advice that considers individual characteristics. The study acknowledges multicollinearity, but it is important to also consider potential constraints in the research approach, such as data quality and omitted factors. Addressing these methodological problems would strengthen the study's robustness. The study has important practical ramifications. It highlights the significance of taking into account demographic and experiential elements when customizing investment strategies and offering financial advice to investors. Financial advisors and politicians can use this information to better address the distinct requirements and susceptibilities of various investor demographics. This

research highlights that investing is not only about numbers but also involves human elements affected by cognitive biases and individual traits. By recognizing and dealing with these behavioral factors, we may cultivate a more knowledgeable and adaptable investment community, ultimately resulting in more profitable and fulfilling investment experiences for everyone.

References

- Chiu, A., & Wu, G. (2018). Prospect Theory. *Encyclopedia of Wireless Networks*. https://doi.org/10.1142/9789813231566_0005.
- Goldberg, L. (2013). Thinking, Fast and Slow, by D. Kahneman. *Quantitative Finance*, 13, 177 - 179. <https://doi.org/10.1080/14697688.2012.710501>.
- Gonzalez, C., Dana, J., Koshino, H., & Just, M. (2005). The framing effect and risky decisions: Examining cognitive functions with fMRI. *Journal of Economic Psychology*, 26, 1-20. <https://doi.org/10.1016/J.JOEP.2004.08.004>.
- Lara, J., Osma, B., & Penalva, F. (2016). Accounting Conservatism and Firm Investment Efficiency. *Journal of Accounting and Economics*. <https://doi.org/10.1016/J.JACCECO.2015.07.003>.
- Lee, K., Lee, S., & Kang, I. (2005). KMPI: measuring knowledge management performance. *Inf. Manag.*, 42, 469-482. <https://doi.org/10.1016/j.im.2004.02.003>.
- Li, Y., & Yang, L. (2010). Financial Market Dynamics: Implications of Prospect Theory for Asset Prices and Trading Volume. . <https://doi.org/10.2139/ssrn.1781382>.
- Sayani, H., & Balakrishnan, M. (2013). Marketing an Islamic index: the perceived value of KMI30 Index. *Management Research Review*, 36, 326-358. <https://doi.org/10.1108/01409171311314969>.
- Vlastakis, N., & Markellos, R. (2012). Information Demand and Stock Market Volatility. *Journal of Banking and Finance*, 36, 1808-1821. <https://doi.org/10.1016/J.JBANKFIN.2012.02.007>.