

Investors play a vital role in stock exchange. Sometimes the decisions are based on rational behavior and sometimes these decisions consist of irrational behavior. Traditionally researchers argued that investors behave like a rational agent. This study explores the investor's cognitive biases and how these biases put affect on investor decision. At the same time due to globalization stock market situation is changed day by day even after few seconds.

The research examined and explored the impact of cognitive biases on risky investment decision and foremost intention of this study to check the effect of cognitive biases on risky investment decision and more specifically the effect of mediating variable on risky investment decision. There are numerous biases which are putting affect on investor decisions but this study explores the combined effect of two biases i.e. heuristic and overconfidence on risk perception, which is mediating variable and also examined the effect of these cognitive biases on risky investment decision.

This study is conducted at three stock exchanges; KSE, ISE and LSE. As this study belongs to the behavior of investor so it comprise of primary data. For this purpose adapted questionnaire is used. 450 questionnaires are distributes out of which 400 questionnaires are returned. The data is run on SPSS. To check the reliability of questionnaire, Cronbach's alpha is applied and the result of reliability is above than 0.7 which is considered to be fit tool for research. Descriptive statistics are used to check the frequency of each respondent towards their age, business tenure and respective stock exchange.

The study finds a significant relationship between cognitive biases (heuristic and overconfidence) and risky investment decisions. There is partial mediation between overconfidence and risky investment decision and full mediation between heuristic and risky investment decision while risk perception is a mediating variable. Study also indicates that risk perception have also positive and significant relation with risky investment decisions.