



**Introduction to Behavioural Finance**  
**Introduction to Behavioural Finance**  
**(Elective Course)**

<b>Semester: III</b>	<b>Credits: 4</b>	<b>Subject Code: MCM32004</b>	<b>Lectures: 48</b>
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**Course Outcomes:**

At the end of this course, the learner will be able to:

- Differentiate between Standard Finance and Behavioural Finance
- Illustrate various types of Investor Biases
- Relate the implications of Investor Biases on Investor Behaviour
- Identify the developments in Corporate Behavioural Finance
- Apply the knowledge of Behavioural Finance to investment decisions

<b>Unit 1: Introduction to Behavioural Finance</b>	<b>8</b>
<ul style="list-style-type: none"><li>• Behavioural Finance:<ul style="list-style-type: none"><li>○ Concept and Importance</li></ul></li><li>• Investment Decision Cycle</li><li>• Historical background of Rational Thought:<ul style="list-style-type: none"><li>○ Expected Utility Theory</li><li>○ Modern Portfolio Theory</li><li>○ Efficient Market Hypothesis</li></ul></li><li>• Evolution of Behavioural Finance</li><li>• Determinants of Investor Behaviour</li></ul>	

<b>Unit 2: Investor Biases</b>	<b>16</b>
<ul style="list-style-type: none"><li>• Heuristics:<ul style="list-style-type: none"><li>○ Representativeness</li><li>○ Availability</li></ul></li><li>• Biases:<ul style="list-style-type: none"><li>○ Emotional: Endowment Effect, Disposition Effect, Loss Aversion, Regret Aversion, Self Control</li><li>○ Cognitive: Confirmation Bias, Overconfidence, Anchoring, Gambler's Fallacy, Framing, Mental Accounting</li></ul></li><li>• Herding:<ul style="list-style-type: none"><li>○ Intentional</li><li>○ Unintentional</li></ul></li></ul>	

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<b>Unit 3: Investor Behaviour</b>	<b>12</b>
<ul style="list-style-type: none"> <li>• Implications of Heuristics and Biases for Financial Decision Making:             <ul style="list-style-type: none"> <li>○ Financial Behaviour Stemming from Familiarity</li> <li>○ Financial Behaviour Stemming from Representativeness</li> <li>○ Anchoring to Available Economic Cues</li> </ul> </li> <li>• Implications of Overconfidence for Financial Decision Making:             <ul style="list-style-type: none"> <li>○ Overconfidence and Excessive Trading</li> <li>○ Demographics and Dynamics</li> <li>○ Under-diversification and Excessive Risk Taking</li> <li>○ Excessive Optimism and Analysts</li> </ul> </li> <li>• Individual Investors and The Force of Emotion:             <ul style="list-style-type: none"> <li>○ Mood of the Investor</li> <li>○ Pride and Regret</li> <li>○ The Disposition Effect</li> <li>○ House Money</li> <li>○ Affective Reactions</li> </ul> </li> </ul>	

<b>Unit 4: Developments in Corporate Behavioural Finance</b>	<b>12</b>
<ul style="list-style-type: none"> <li>• Quantitative Behavioural Finance: a path towards rational decision making</li> <li>• Neuro Finance:             <ul style="list-style-type: none"> <li>○ Concept</li> <li>○ Role of Neuro Finance in developing effective Investment strategies</li> </ul> </li> <li>• Emotional Finance:             <ul style="list-style-type: none"> <li>○ Concept</li> <li>○ Difference between Behavioural Finance and Emotional Finance</li> <li>○ Role of Emotional Finance in understanding and managing the Asset Management Industry</li> </ul> </li> <li>• Fast and Frugal Finance:             <ul style="list-style-type: none"> <li>○ Concept</li> <li>○ Developing an adaptive toolbox for Financial decision making</li> </ul> </li> <li>• Nudging:             <ul style="list-style-type: none"> <li>○ Nudge Theory: Characteristics of good Nudges</li> <li>○ Examples of Nudges</li> <li>○ Impact of Nudging in Investment decisions</li> </ul> </li> <li>• Investor Education in minimizing Investor Biases and bad Nudges</li> <li>• Role of Managerial training and regulation in controlling the irrational Market Behaviour</li> </ul>	

**#12 contact hours for Assignments, Visits, Research, Field Studies, etc.**

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**Recommended Reference Books:**

- Kapoor Sujata & Prosad Jaya Mamta. *Behavioural Finance*. SAGE Publications: New Delhi; 2019.
- Statman Meir. *Behavioural Finance: The Second Generation*. CFA Institute Research Foudation: 2019.
- Chandra Prasanna. *Behavioural Finance*. Tata McGraw-Hill Publishing Co. Ltd.: New Delhi; 2016.
- Sulphrey M.M. *Behavioural Finance*. PHI Learning Private Limited: Delhi; 2014.
- Ackert Lucy F. & Deaves Richard. *Understanding Behavioural Finance*. Cengage Learning India Private Limited: Delhi; 2015.
- Forbes William. *Behavioural Finance*. Wiley India (P.) Limited: New Delhi; 2006.

**Journals:**

- The Management Accountant, *Behavioural Finance*, Vol. 46 No. 10, The Institute of Cost and Works Accountants of India, Kolkata, Oct. 2011.

Board of Studies	Name	Signature
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Faculty	Dr. Dimple Buche	<i>D Buche</i> 15/6/20
Faculty	Ms. Rajni Singh	<i>Rajni</i> 15/6/20
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