



## **FIN 41303: Behavioral Finance**

**Level: 4000**

**Number of Credits : 03**

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### **Course Description**

Behavioral Finance focuses on the concepts and theories of psychology on financial markets, investor behavior, and corporate managerial decision making. Further, this course enables students to explain how individuals make financial decisions along with specific attention to the way emotions, biological characteristics, and psychological traits influence financial decisions.

### **Intended Learning Outcomes**

At the end of the course, the student will be able to;

- Explain principles, concepts and approaches of behavioral finance,
- Apply psychological concepts and theories into financial markets and financial decision-making,
- Discuss the implications of behavioral finance on financial markets and market anomalies,
- Discuss behavioral and non-behavioral explanations of financial phenomena.

### **Teaching/Learning Methods**

Lectures, Group Discussions, and Seminars

### **Methods of Assessment**

In-course Assessments : 30%  
End Semester Examination : 70%

### **Course Contents**

1. Introduction to behavioral finance  
Overview and main concepts, morals and ethics: why they matter in the business world
2. Traditional vs. Behavioral finance  
Efficient market hypothesis and alternative market hypothesis
3. Market Anomalies  
Calendar effects, overreaction, under reaction, herding
4. Prospect theory, Framing effects and Mental Accounting
5. Behavioral science foundation in finance  
Heuristics and biases, overconfidence, emotion.
6. Investor behavior  
Investor behavior stemming from heuristics and biases, the impact of overconfidence on investor decision-making, emotion-based investor behavior
7. Market sentiment and social influences

Definition, measures and predictability of stock return, selfishness or altruism, social forces and behavior.

8. Behavioral corporate finance  
Corporate ethics issues, agency conflicts, merger and acquisitions traditional and behavioral approaches

### **Recommended Readings**

1. Ackert, Lucy, Richard Deaves (2010), Behavioral Finance: Psychology, Decision Making, and Markets, Cengage Learning.
2. Baker, H. K., & Nofsinger, J. R. (2010). Behavioral finance: investors, corporations, and markets (Vol. 6): John Wiley & Sons.
3. Baker, H. K., & Ricciardi, V. (2014). Investor behavior: The psychology of financial planning and investing: John Wiley & Sons.