



FORMAT FOR COURSE CURRICULUM

Course Title: Behavioural Finance

Credit Units: 03

Course Level: PG

Course Code: FIBA701

L	T	P/S	SW/FW	No. of PSDA	TOTAL CREDIT UNITS
2	-	-	2	3	3

Course Objectives: Course Objectives:

To introduce students to an alternate framework for understanding price discovery in the markets To orient the students regarding persistent systematic behavioral factors that influence investment behavior To evaluate and synthesize the role of psychology with finance and what this has to offer stock market investors, portfolio managers, and

Prerequisites:

Students should be aware of finance concepts. The student should be knowing Security Analysis and Portfolio Management

Course Title	Weightage
Module I Introduction to Behavioural Finance	20% Weightage
Introduction to Behavioral Finance EMH –Limitations. Evolution of Behavioural Finance. Difference between Traditional theories, Modern theories and Behavioural Finance. Market Anomalies - Equity premium puzzle, Over-reaction, Under-reaction.	
	25% Weightage

<p>Module II The Behavioral Foundations – Role of Information Processing</p> <p>Descriptors/Topics Preferred Information Processing – Rational, Intuitive and Dual processing, Bayesian information processing Framing, Mental Accounting , Prospect Theory and its application in stock markets, Domain of Gains, Domain of losses., Loss aversion and regret aversion.</p>	
<p>Module III : Behavioural Biases Role of Emotions, Mood, Sentiments. Emotional Timeline; Emotions and Neuroscience Role of Demographics Role of Psychological Dispositions Limits to Arbitrage, Various Behavioural biases</p>	<p>20% Weightage</p>
<p>Module IV: Overcoming Biases Investing Styles and Behavioral Finance; Shadow of the Past. Strategies for overcoming Psychological Biases and its affect on stock market</p>	<p>15% Weightage</p>
<p>Module V: Latest Developments, Trends and Practices Latest real time examples and its usage with statistical tool, various research undertaken globally in this emerging area to be discussed in the class, use of technology in Behavioural finance, selected research papers to be part of discussion.</p>	<p>20% Weightage</p>

Student Learning Outcomes: By the end of this course the students will be able to:

- Be able to articulate the concepts and principles that support behavioral finance.
- Know how to analyze, as well as compare and contrast basic behavioral finance theories that support decision making.
- Be able to appreciate the behavioural anomalies pertinent in the stock markets

Pedagogy for Course Delivery:

The pedagogy for the course should include regular follow-up of the stock market indices, co-relational study of the market movements and market sentiments along with the media support garnered, major losers and major gainers evaluation vis-à-vis their fundamental values. Upon building a sound theoretical framework, different behavioral applications and relevant research papers should be introduced in each section of the course. Lectures should be discussion oriented and on some occasions supported by case analyses to emphasize the practical aspects of the issues covered.

List of Professional Skill Development Activities (PSDA):

- i. **Mock Trading practice**
- ii. **Analysis of stock**
- iii. **Investor’s behavior analysis**

Lab/ Practicals details, if applicable:-Not applicable

Assessment/ Examination Scheme:

Theory L/T (%)	Lab/Practical/Studio (%)
100%	

Theory Assessment (L&T):

Continuous Assessment/Internal Assessment (30 %)					End Term Examination (70%)
Components (Drop down)	Class test	Project	Home Assignment	Attendance	
Linkage of PSDA with Internal Assessment Component, if any		Analysis of stock Investor's behavior analysis	Mock trading practice		
Weightage (%)	10	10	5	5	70

Lab/ Practical/ Studio Assessment:

	Continuous Assessment/Internal Assessment (___ %)				End Term Examination (___ %)		
Components (Drop down							
Weightage (%)							

Text & References:

Scott Plous, (1993) The Psychology of Judgment and Decision Making, McGraw Hill.

Daniel Kahneman and Amos Tversky (eds.) (2000) Choices, Values and Frames; New York: Russell Sage Foundation, Cambridge UK: New York, Cambridge University Press.

Richard Thaler, (1991) Quasi-Rational Economics, Russell Sage Foundation Press.

Andrei Shleifer, (2000), Inefficient Markets, Oxford: New York: Oxford University Press.

HershShefrin, (2000) Beyond Greed and Fear, Harvard Business School Press.

Daniel Kahneman, Paul Slovic, and Amos Tversky (eds.) (1982) Judgment under Uncertainty: Heuristics and biases, Oxford; New York: Oxford University Press.

Additional reading

The Journal of Behavioural Finance

Any other Study Material:

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- Articles from Journal of Finance
 - Articles from International Journal -Finance India
 - Business newspapers
 - Yahoo finance (<http://finance.yahoo.com/>)
 - Investopedia (www.investopedia.com) - Investing 101 ,Stock Basics ,Basic Financial Concepts, Bond & Debt Basics ,IPO Basics, Brokers and Online Trading, Economics Basics, Reading Financial Tables, Understanding the P/E Ratio
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- Google Finance (www.google.com/finance)
 - Capital Ideas: The Improbable Origins of Modern Wall Street by Peter Bernstein
 - When Genius Failed: The Rise and Fall of Long-Term Capital Management by Lowenstein
 - Behavioural Finance, Prasanna Chandra
 - Value Investing and Behavioural Finance, Parag Parikh, Mc GrawHill
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