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| **PROGRAM** | **Master of Business Administration** |
| **SEMESTER** | **4** |
| **COURSE TITLE** | **Behavioral Finance** |
| **COURSE CODE** | **04MB0406** |
| **COURSE CREDITS** | **03** |
| **COURSE DURATION** | **42 Hours (42 sessions of 60 minutes each)** |

**COURSE OUTCOMES:**

* Inferring the basic tenets of Rational finance vs. Behavioral finance.
* Evaluating the foundations of rational finance with its limitation
* Evaluate the impact of behavioral biases on financial decision making
* Explain the impact of emotional and social force in Investment
* Examine value investing and central tenets.

**COURSE CONTENTS:**

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| **Unit No** | **Unit / Sub Unit** | **Sessions** |
| **I** | **Introduction to traditional / rational finance:** Basic tenets, evolution, history, requirements for rational choices, Versions of EMH, perfect capital market, implications, etc, Challenge posted by behavioral aspects to rational finance | 4 |
| **II** | **Foundations of rational finance:** Expected Utility theory, Modern portfolio theory, Capital Asset pricing model (CAPM), Efficiency market hypothesis, Challenges to Efficient Market Hypothesis, **Arbitrage:** Limits to arbitrage, fundamental risk, Noise Trader Risk, Influence of psychology | 8 |
| **III** | **Foundations of Behavioral Finance**: Heuristic & Biases, Self-deception, overconfidence, Beliefs – expert judgement, narratives, superstitious, The Availability Heuristic, Prospect theory, Anchoring, Framing, mental accounting, herd behavior, disposition effect, endowment effect. | 8 |
| **IV** | **Emotional and social forces**: Investor behavior, Implications of biases for financial decision making, Behavioral portfolio theory, Psychographic models, Sound investment philosophy, Guidelines for overcoming psychological biases | 10 |
| **V** | **The Aggregate stock market:** Puzzles and behavioral explanations, Value Investing, Central tenets, Evidence and prospectus, Strategies of well-known value investors, Contemporary issues relating to value investing, Neurofinance and its simple applications. | 10 |

**EVALUATION:**

The students will be evaluated on a continuous basis and broadly follow the scheme given below:

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|  | **Component** | **Weightage** |
| A | Continuous Evaluation Component (Assignments/ Quizzes / Class Participation etc.) | 20% (C.E.C.) |
| B | Internal Assessment | 30% (I.A.) |
| C | End-Semester Examination | 50% (External Assessment) |

**SUGGESTED READINGS:**

**Text Books:**

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| **Sr. No** | **Author/s** | **Name of the Book** | **Publisher** | **Edition and Year** |
| **T-01** | Prasanna Chandra | Behavioral Finance | McGraw Hill | First Edition 2016 |
| **T-02** | Suyash Bhatt | Value Investing and Behavioral Finance | Packt Publisher | First Edition 2014 |
| **T-03** | M M Sulphey | Behavioral Finance | PHI Learning | First Edition 2014 |

**Reference Books:**

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| **Sr. No** | **Author/s** | **Name of the Book** | **Publisher** | **Edition and Year** |
| R-01 | Kahneman, Daniel & Tversky, Amos. (2000). | Choices, Values and Frames | Cambridge University Press | Third, 2016 |
| R-02 | William Forbs | Behavioral Finance | Wiley publication | Second, 2017 |
| R-03 | Lucy Ackert  Richard Deaves | Behavioral Finance: Psychology, Decision-Making, and Markets | Cengage Learning | Fourth, 2014 |