International Journal Of Marketing, Financial Services & Management Research ____________________ **ISSN 2277-3622**
Vol.5 (5), MAY (2016), pp. 60-69
Online available at indianresearchjournals.com

REVIEW PAPER ON BEHAVIOURAL BIASES IN FINANCIAL DECISION- MAKING

GEETIKA MADAAN SUKHEJA

ASSISTANT PROFESSOR CUM RESEARCH SCHOLAR
CHANDIGARH UNIVERSITY, MOHALI.

ABSTRACT

Purpose – The paper aims to clarify how biases, moods and emotions influence the financial behavior of individuals. The paper also aims to provide future paradigm of behavioral finance. The study has tried to explore behavioral determinants influencing individual investor's decision- making at financial front.

Design/methodology/approach – The paper opted for an in-depth study using an empirical approach. The data collected and compiled by using researches and studies previously conducted by various scholars, academicians and professionals in the field of behavioral finance.

Findings – The paper provides empirical insights about how Behavioral finance has emerged as a field of study which is relatively new and having its provenance from decision theory. The study concluded that this multidisciplinary research area investigates the issues that impact the decision-making process and explains the irrational nature of individuals, groups and organizations. Behavioral finance tries to address those psychological traps that are confronted while making decisions under uncertainty.

Practical implications – The review tries to provide scope for future researches in the field of corporate management and social finance.

Originality/value – This review tries to address past and present status of behavioral finance field and tries to find rifts that need to bring light for future development in this area.

KEYWORDS: Behavioral Finance, Overconfidence, Anchoring, investors, investment.

REFRENCES

Akerlof, George. (1970), "Market for Lemons: Quality, Uncertainty, and the Market Mechanism," *Quarterly Journal of Economics*, 84(3): 488-500.

Akerlof, George and Rachel Kranton. (2000), "Economics and Identity," *Quarterly Journal of Economics*, 115(3): 715-53.

Alesina, Alberto and Nicholas Fuchs-Schiindeln. (2007), "Good Bye Lenin (or not?): The effect of communism on people's preferences," *American Economic Review*, 97(4):1507-28.

Alevy, J.E., M.S. Haigh, and J.A. List. (2007), "Information Cascades: Evidence from a Field Experiment with Financial Market Professionals," *Journal of Finance*, 62, 151-80.

Allais, Maurice. (1953), "Le Comportement de I'Homme Rationnel devant le Risque, Critique des Postulates et Axiomes de I'Ecole Americdine," *Econometrica*, 21(4): 503-46.

Arthur, Brian. (1991), "Designing Economic agents that act like Human Agents: A Behavioral Approach to Bounded Rationality", *American Economic Review, 81(2): 353-9.*

Arthur, Brian. *(1994), "*Inductive Reasoning and Bounded Rationality", *American Economic Review*, 84(2): 406-11.

Arthur, Brian.(2006), "Out-of-Equilibrium Economics and Agent-based Modeling," *Handbook of Computational Economics,* II, 1551-64.

Baker, W.E. (1984), "Floor Trading and Crowd Dynamics," *in the social Dynamics of Financial Markets,*pp.107-90.

Barber B. and Odean T. (2000), "Trading is Hazardous to your Wealth. The Common Stock Investment Performance of Individual Investors," *Journal of Finance,* 116(1):261-92

Barber B and Odean T. (2001), "Boys will be Boys: Gender, Overconfidence and Common stock of Investment," *Quarterly Journal of Economics*, 116(1): 261-92.

Barsky, Juster, Kimbail and Shapiro.(1997), "Preference Parameters and Behavioral Heterogeneity: An Experimental Approach in the Health and Retirement Study," *Quarterly Journal of Economics,* CXII: 537-79.

Barsky, Robert and James Bradford De Long. (1993), "Why Does the Stock Market Fluctuate?" *Quarterly Journal of Economics,* 108(2): 291-311.

Brynes, James and David Miller. (1999), "Gender differences in risk taking: A Meta Analysis." *Psychological Bulletin,* 125, 367-83.

Benartzi, S and R Thaler. (2002), "How much is Investor Autonomy worth?" *Journal of Finance*, 57(4): 1593-616.

Brounen, Jong and koedjik .(2004), "Corporate Finance in Europe: Confronting Theory with Practice," *Financial Management,* 33, 71-10.

Dwyer, Peggy D, James H Gilkeson and A John List. (2002), "Gender Differences in Revealed Risk Taking: Evidence from Mutual Fund Investors," *Economic Letters, 76, 151-8.*

Ellsberg, Daniel. (1961), "Risk, Ambiguity, and the Savage Axioms," *Quarterly Journal of Economics,* 75(4): 643-99.

Embery, Lori L and Jonathan J Fox. (1997), "Gender Differences in the Investment Decision Making Process," *Financial Counseling and Planning,* 8(2): 33-9.

Estes, R H and J Hosseini. (1988), "The Gender Gap on Wall Street: An Empirical Analysis of Confidence in Investment Decision Making." *The Journal of Psychology,* 122(6): 577-90.

Fama, E. (1965), "The Behavior of Stock Market Prices," Journal *of Business,* 38(1):34-105.

Fama ,Eugene. (1965), "The Behavior of Stock Market Prices," *Journal of Financial Management and Analysis,* 4(2): 37-43.

Fischoff, Baruch, Paul Slovic and Sarah Lichtenstein. (1977), "Knowing the Certainity: The Appropriateness of Etreme Confidence," *Journal of Experimental Psychology,* 3(1): 552-64.

Felton, J, B Gibson and D M Sanbonmatsu. (2005), "Preference for Risk in Investing as a Function of Trait Optimism and Gender," *Journal of Behavioral Finance,* 4(1): 33-41.

Filbeck, G, P Hafield and P Horvath. (2005), "Risk Averion and Personality Type," *Journal of Behavioral Finance,* 6(4): 170—80.

Graham, Harvey. (2001), "The Theory and Practice of Corporate Finance: Evidence from the Field," *Journal of Financial Economics,* 61, 187-243.

Graham, Stendardi, Myers and Graham. (2002), "Gender Differences in Investment Strategies: An Information Processing Perspective," *International Journal of Bank Management,* 20(1): 17-26.

Graham, John R, Harvey Campbell and Huang Hai. (2004), "Investor Competence Trading Frequency, Home Bas," Working Paper, Duke University.

Harrison, Michael and David Kreps. (1978), "Speculative Investor Behavior in a Stock Market with Heterogeneous Expectations, "*Quarterly Journal of Economics,* 92(2): 323-36.

Hirshliefer, David. (2001),"Investor Psychology and Asset Pricing," *Journal of Finance,* 56(4): 1533-97.

Hirshliefer, D and T Shumway. (2003), "Good Day Shine: Stock Returns and the Weather," *Journal of Finance*, 58(3): 1009-62.

Kahneman, Daniel and Tversky Amos. (1979), "Prospect Theory: An Analysis of Decision under Risk," *Econometrica,* 47,263-91.

Kahneman, Daniel, Knetsch and Richard Thaler. (1991), "The Endowment Effect, Loss Aversion and Status Quo Bias: Anomalies," *Journal of Economic Perspectives*, 5(1): 193-206.

Kahneman, D. and M W Riepe. (1998), "Aspects if Investor Psychology."*Journal of Portfolio Management*, 24(4).

Kover, A. (1999), "Okay, Women Really Could use Special Advise about Investing," *Fortune,* 139(6): 129-32.

Markowitz, H. (1952), "Portfolio Selection," *Journal of Finance*, 7(1): 77-91.

Morgan, W R and J Sawyer.(1967), "Bargaining, Expectations and the Preference of Equality Over Equity," *Journal of Personality and Social Psychology*, 6, pp. 139-49.

McNeil. (1974), "The Many Futures of Contracts," *Southern California Law Review*, 47, pp. 691-816.

Melia, M. (1996), "Gender Specific," *Chicago Tribute,* Chicago, IL, pp. 61-2.

Morgan, W R and J Sawyer. (1999), "Do Investors Trade Too Much?" *American Economic Review,* 89(5): 1297-98.

Mitchell, O S and S P Utkus. (2004), "*Pension Design and Structure*: *New Lessons from Behavioural Finance," Oxford University Press*, New York.

Oslen, Robert A and M Constance Cox. (2001), "The Influence of Gender on the Perception and Response to Investment Risk: The Case of Professional Investors," *The Journal of Psychology and Finance Markets*, 2(1): 29-36.

Powell, M and D Antic. (1997), "Gender Difference in Risk Behaviour in Financial Decision Making: An Experimental Analysis," *Journal of Economic Psychology,* 18(6c): 605-27.

Ramaswami, S N, R K Srivastava and T H McInish.(1992), "An Exploratory Study of Portfolio Objectives and Asset Holdings," *Journal of Economic Behaviour and Organization*, 9(3): 285-306.

Simon, Herbet. (1955),"A Behavioral Model of Rational Choice," *Quarterly Journal of Economics,* 69(1): 99-118.

Stigler, G. (1961), "The Economics of Information." *Journal of Political Economy,* 69(3): 213-25.

Shefrin, Hersh and Statman Meir. (1985), "The Disposition of Sell Winners Too Early and Ride Losers Too Long: Theory and Evidence," *Journal of Finance*, 40, pp. 77-90.

Shefrin, Hersh and Statman Meir.(1995)," Making Sense of Beta, Size and Book-to-Market," *Journal of Portfolio Management,* 21(2): 26-34.

Spiegel, Mathew. (1998), "Stock Price Volatility in a Multiple Security Overlapping Generations Model," *Review of Financial Studies,* 11, pp.419-47.

Soch, H K and H S Sandhu. (2000), "Customer Perception of Private Banks," *The Indian Journal of Commerce,* 53(1and2): 69-77.

Sahi, S., Arora, A. P., & Dhameja, N. (2013), "An exploratory inquiry into the psychological biases in financial investment behavior," *Journal of Behavioral Finance*, *14*, 94–103.

Soufian, M., Forbes, W., & Hudson, R. (2014), "Adapting financial rationality: Is a new paradigm emerging?" *Critical Perspectives on Accounting*, *25*, 724–742.
Thaler, Richard. (1980), "Toward a Positive Theory of Consumer Choice," *Journal of Economic Behavior and Organisation,* 1(1): 36-90.

Tversky, A and D Kahneman. (1981), "The Framing Decisions and the Psychology of Choice," *Science,* 211(1): 377-92.

Teversky, Amos and Daniel Kahneman.(1991), "Loss Aversion in Riskless Choice: A Reference-Dependent Model," *Quarterly Journal of Economics,* 106(4): 1039-61.

Weber, Martin. (1999), "Behavioral Finance," *Research Practitioners,* University of Manheim.

Welch, I. (2000), "Views of Financial Economists on the Equity Premium and on Professional Controversies," *Journal of Business,* 73(4): 501-37.

Xiao, Olson. (1993), "Mental Accounting and Saving Behavior," *Home Economics Research Journal,* 22(1): 92-109.