

**Name of Institute: Indus Institute of Management Studies**

**Name of Faculty: Nirali Dave**

**Course code: MB0323**

**Course name: Behaviour Finance**

Pre-requisites:

Credit points: 3

Offered Semester: MBA III

**Course Coordinator (weeks 1 - 15)**

Full Name: Nirali Parth Dave

Department with siting location: IIMS

Telephone: 9428609964

Email: niralidave.mba@indusuni.ac.in

Consultation times: 2.00 PM to 4.00 PM

**Course Lecturer (weeks 1 - 15)**

Full name: Nirali Parth Dave

Department with siting location: Management

Telephone: 9428609964

Email: niralidave.mba@indusuni.ac.in

Consultation times: 2.00 PM to 4.00 PM

Students will be contacted throughout the Session via Mail with important information relating to this Course.

**Course Objectives**

By participating in and understanding all facets of this Course a student will:

- To Develop an Understanding of finance and enable the students to evaluate the firm's decision areas related to finance.
- To help students appreciate the limitations of 'rational' models of investment decision making
- To introduce students to an alternate framework for understanding price discovery in the markets
- To help students identify persistent or systematic behavioral factors that influence investment behavior

**Course Outcomes (CO)**

1. Enumerate the key terms associate with behaviour finance, investment in financial markets & corporate finance.
2. Illustrate the various theories associated with behaviour finance and parameters of investing in financial market.
3. Identify persistent or systematic behavioural factors that influence investors and investment decisions.

4. Analyse the various behavioural finance factors related to corporate & individual investors.
5. Evaluating Interpret various investment strategies of effective investment in the financial market on the basis of various theories and factors of behavioural finance.
6. Understanding on the concept of mean reversion and investment style.

CO- PO Mapping :

	PO1	PO2	PO3	PO4	PO5	PO6	PO7
<b>CO 1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>CO 2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>CO 3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>CO 4</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>CO 5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>CO 6</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>

## Course Outline

### Course Content:

**UNIT-I • Introduction to Behavioral Finance: Concept, Nature, Scope, Objectives, Difference between Standard Finance and Behavioral Finance, Traditional View of Financial Markets, Anomalies of Financial Markets, Limitation of Efficient Market Hypothesis, Behavioral Financial Market Strategies, Behavioral Indicators, Psychology: Social, Behavioral, Physiological , Applied , Educational , Cognitive Psychology, Boom & Bust Cycles, Prospect Theory, Loss aversion theory,**

**UNIT-II • Behavioral Biases theories : Heuristics, Overconfidence Bias, Representativeness, Anchoring and Adjustment bias, cognitive dissonance bias availability bias, self attribution bias, illusion of control bias conservation bias, endowment bias, optimism bias, confirmation bias, Impact of bias on investors, External factors defining investors behavior, Fear and Greed in Financial Market, Finance & Emotions, Investors & types, Characteristics of extremely successful investor, Bubbles and systematic investors sentiments**

**UNIT-III • Risk Aversion and expected marginal utility, Risk aversion- Rabin and Thaler, Expected utility theories, Rationality in investment decisions: Concept, Limitation, assumptions for rational decision making model, Rational decision making process, Dependency of Rationality on Time Horizon, Herbert Simon and Bounded Rationality,**

**UNIT-IV Group Behavior: Conformism, herding, fatal attractions.**

Emotion and Neuroscience, Geomagnetic storm: phase, types, causes, effect, Geomagnetic storm and financial market, Impact of geomagnetic storm on stock market return. Factors influencing stock & stock market, External factors and investors behavior, Classification of external factors influencing investors behavior, factors influencing on investors behavior.

**UNIT-V • Dynamic Asset Allocation: CRRA Investors, Behavioral Clients, Mean Reversion Structured Wealth Management Process: Risk Ability, Risk Awareness, Risk Tolerance, and Investment Style**

**Method of delivery**

(Face to face lectures, self study material, Active Learning Techniques)

**Study time**

(Three Hours Per Week )

**CO-PO Mapping (PO: Program Outcomes)**

	PO1	PO2	PO3	PO4	PO5	PO6	PO7
<b>CO 1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>CO 2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>CO 3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>CO 4</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>CO 5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>CO 6</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>

**Blooms Taxonomy and Knowledge retention (For reference)**

(Blooms taxonomy has been given for reference)

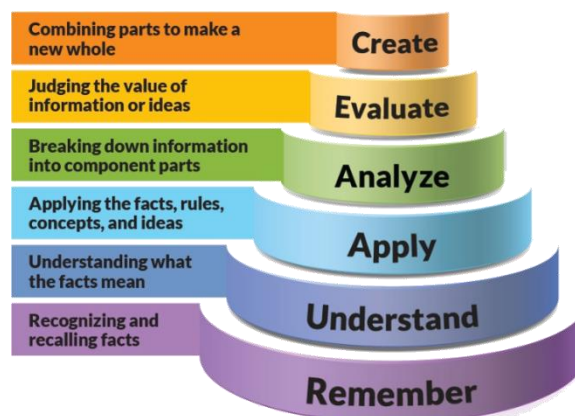


Figure 1: Blooms Taxonomy

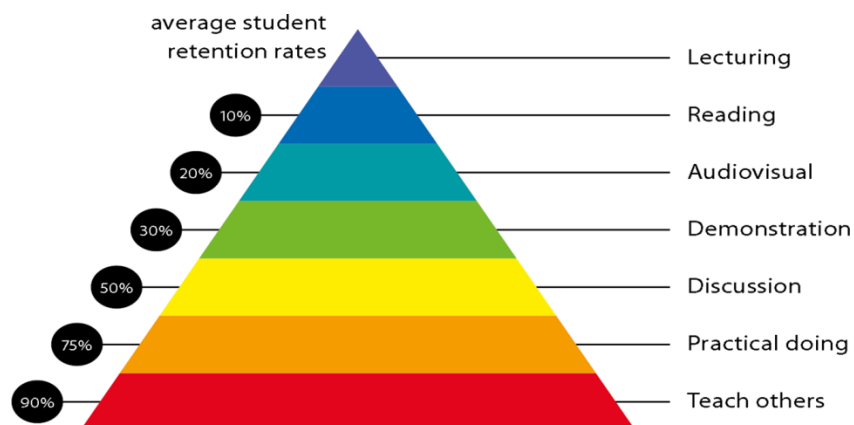


Figure 2: Knowledge retention

**Graduate Qualities and Capabilities covered**  
(Qualities graduates harness crediting this Course)

General Graduate Qualities	Specific Department of Management Graduate Capabilities
<b>Informed</b> Disciplinary Knowledge Indepth knowledge of Banking and Insurance industry in India	<b>1 Professional knowledge, grounding &amp; awareness</b>
<b>Independent learners</b> <b>Solution to the problems adjustments</b>	<b>2 Information literacy, gathering &amp; processing</b>
Thinking • critical • creative • practical	<b>4 Problem solving skills</b>
<b>Responsible</b> Learning • capacity for life-long learning • flexibility • adaptability	<b>10 Sustainability, societal &amp;</b>
<b>Responsible</b> Learning • capacity for life-long learning • flexibility • adaptability	<b>10 Sustainability, societal &amp; environmental impact</b>

**Practical work:**

(Students Shall be given assignments to demonstrate the following skills)

1. ASSIGNMENT -1 Theory questions from unit 1&2
2. Presentation - Topics from syllabusLecture/tutorial times

Lecture	Monday	10-11am	LH EDC (LH35)
Lecture/Tutorial	Thursday	1- 2pm	LH EDC (LH35)
Lecture	Friday	10-11 am	LH EDC (LH35)

**Details of referencing system to be used in written work**

**Text books**

1. Behavioral Finance: Psychology, Decision-Making, and Markets", by Ackert and Deaves.
2. Understanding Behavioral Finance by Ackert
3. The Psychology of Investing by John R. Nofsinger, Pearson Prentice Hall, (4th Edition)
4. What Investors Really Want - Learn the lessons of behavioral Finance, Meir Statman, McGraw-Hill
5. Behavioral Finance by Shuchita singh, Shilpa Bahl

## Assessment guidelines

Your final course mark will be calculated from the following:

<b>Example:</b>	
Assignment 1	10% (week 4) Objective (1-3)
Presentation	10% (week 8) Objective (1-4)
Mid semester	40% (due week 11) Objectives (2-5)
Final exam ( <i>closed book</i> )	40% Objectives (1-5)

Bloom's Category Marks (out of 40) ( Internal Evaluation)	Test (40)	Assignment (10)	Presentation (5)	Attendance (5)
Remember				
Understand		05		
Apply	10		5	
Analyze	10			
Evaluate	10			
Create		05		

## SUPPLEMENTARY ASSESSMENT

Students who receive an overall mark less than 50% in mid semester or end semester will be considered for supplementary assessment in the respective components (i.e mid semester or end semester) of semester concerned. Students must make themselves available during the supplementary examination period to take up the respective components (mid semester or end semester) and need to obtain the required minimum 40% marks to clear the concerned components.

### Practical Work Report/Laboratory Report:

A report on the practical work is due the subsequent week after completion of the class by each group.

### Late Work

Late assignments will not be accepted without supporting documentation. Late submission of the reports will result in a deduction of 5% of the maximum mark per calendar day

### Format

All assignments must be presented in a neat, legible format with all information sources correctly referenced. **Assignment material handed in throughout the session that is not neat and legible will not be marked and will be returned to the student.**

### Retention of Written Work

Written assessment work will be retained by the Course coordinator/lecturer for two weeks after marking to be collected by the students.

### University and Faculty Policies

Students should make themselves aware of the University and/or Faculty Policies regarding plagiarism, special consideration, supplementary examinations and other educational issues and student matters.

**Plagiarism** - Plagiarism is not acceptable and may result in the imposition of severe penalties. Plagiarism is the use of another person's work, or idea, as if it is his or her own - if you have any doubts at all on what constitutes plagiarism, please consult your Course coordinator or lecturer. Plagiarism will be penalized severely.

***Do not copy the work of other students.***

***Do not share your work with other students (except where required for a group activity or assessment)***

**Course schedule (subject to change)**

**(Mention quiz, assignment submission, breaks etc as well in the table under the Teaching Learning Activity Column)**

Week #	Topic & contents	CO Addressed	Teaching Learning Activity (TLA)
Weeks 1	Introduction to Behavioral Finance: Concept, Nature, Scope, Objectives, Difference between Standard Finance and Behavioral Finance,	CO1	Face to face lecture delivery
Weeks 2	Traditional View of Financial Markets, Anomalies of Financial Markets, Limitation of Efficient Market Hypothesis, Behavioral Financial Market Strategies, Behavioral Indicators	CO1	Presentation and face to face lecture delivery
Week 3	Psychology: Social, Behavioral, Physiological, Applied, Educational, Cognitive Psychology, Boom & Bust Cycles, Prospect Theory, Loss aversion theory	CO1	Presentation and face to face lecture delivery
Week 4	Behavioral Biases theories : Heuristics, Overconfidence Bias, Representativeness, Anchoring and Adjustment bias, cognitive dissonance bias availability bias, self attribution bias,	CO2	Face to face lecture delivery
Week 5	Illusion of control bias conservation bias, endowment bias, optimism bias, confirmation bias, Impact of bias on	CO2	Face to face lecture delivery

		investors, External factors defining investors behavior, Fear and Greed in Financial Market,		
	Week 6	Finance & Emotions, Investors & types, Characteristics of extremely successful investor, Bubbles and systematic investors sentiments	CO2	Face to face lecture delivery
	Week 7	Risk Aversion and expected marginal utility, Risk aversion- Rabin and Thaler, Expected utility theories,	CO3	Lecture delivery
	Week 8	Rationality in investment decisions: Concept, Limitation, assumptions for rational decision making model, Rational decision making process,	CO3	Lecture delivery
	Week 9	Dependency of Rationality on Time Horizon, Herbert Simon and Bounded Rationality	C03	Face to face lecture delivery
	Week 10	Group Behaviour: Conformism, herding, fatal attractions. Emotion and Neuroscience, Geomagnetic storm: phase, types, causes, effect	C04	Presentation and lecture
	Week 11	Mid Sem Exam	C04	Presentation and lecture
	Week 12	Geomagnetic storm and financial market, Impact of geomagnetic storm on stock market return.	C04	Presentation and lecture
	Week 13	Factors influencing stock & stock market, External factors and investors behavior,	C05	Presentation and lecture
	Week 14	Classification of external factors influencing investors behavior, factors influencing on investors behavior,	C05	Presentation and lecture
	Week 15	Dynamic Asset Allocation: CRRA Investors, Behavioral Clients, Mean Reversion Structured Wealth Management Process: Risk Ability, Risk Awareness, Risk Tolerance, Investment Style	C06	Presentation and lecture

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