



GUJARAT TECHNOLOGICAL UNIVERSITY

Program Name: Master of Business

Administration Level: PG

Branch: Financial Management

Course / Subject Code: MB03095041

Course / Subject Name: Behavioural Finance

w. e. f. Academic Year:	2025-26
Semester:	3
Category of the Course:	MDC/Elective

Prerequisite:	Basic knowledge of standard finance
Rationale:	This course aims to provide understanding of the concepts of behavioral finance to help more efficient financial decisions for investors, professional traders and corporate. Behavioral finance is a means to analyze the common mistakes which the investors make while selecting particular security. It enlightens upon on the common biases and heuristics which restrict people to make rational investment decisions. The course will enable the students to identify and apply psychological concepts to financial markets and financial decision – making.

Course Outcome:

After Completion of the Course, Student will able to:

No	Course Outcomes	RBT Level
01	Explain the difference between a behavioural finance perspective and a traditional finance perspective.	<i>Remember, Understanding, Application</i>
02	Explain how heuristics and biases influence on investment decision making.	<i>Application, Analyze</i>
03	Critically discuss global developments in this domain and the associated practical insights they provide.	<i>Evaluate</i>
04	Analyze the root cause of corporate misconduct and suggest institutional innovations to improve modern business environments.	<i>Evaluate, Create</i>
05	To analyse financial markets from the perspective of behavioural sciences, to study Timing of good and bad corporate news announcement and its impact on financial decision making.	<i>Evaluate, Create</i>

**Revised Bloom's Taxonomy (RBT)*

Teaching and Examination Scheme:

Teaching Scheme (in Hours)			Total Credits L+T+ (PR/2)	Assessment Pattern and Marks				Total Marks
L	T	PR	C	Theory		Tutorial / Practical		
				ESE (E)	PA / CA (M)	PA/CA (I)	ESE (V)	
3	0	0	3	70	30	50	0	150



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Course Content:

Unit No.	Content	No. of Hours	% of Weightage
1.	Brief overview of rational finance and classical finance theories: • Rise of the rational market hypothesis • Brief overview of classical finance theories: Expected utility theory Modern portfolio theory Capital Asset Pricing model Efficient market hypothesis Arbitrage pricing theory Random walk hypothesis Behavioural Finance: • Introduction, meaning, nature. • Assumptions of behavioural finance • Meaning of heuristics and bias • Building blocks of behavioural finance • Prospect theory and mental accounting	10	25
2.	Theories of Behavioural Finance: • Asymmetric information • Ego centrality • Human Behavioral Theories Heuristics: • Familiarity • Familiarity, Ambiguity Aversion • Diversification, Functional Fixation • Status Quo, Endowment Effect • Representativeness • Innumeracy • Probability matching and conjunction fallacy • Base Rate Neglect • Availability and Salience • Anchoring Cognitive Biases: • Self-Deception • Framing • Overconfidence • Miscalibration, better than average effect, over optimism • Causes: illusion of knowledge, control, understanding, skill • Self-attribution • Confirmation • Recency	13	25



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	Emotional Biases: • Regret • Hindsight • Denial • Loss aversion • Self-control Bias Interaction amongst biases • Outcomes of biases • Dealing with biases • Overcoming the biases and debiasing		
3.	Behavioural aspects of Investing: • Behavioural Portfolio theory • Psychographic models • Sound Investment Philosophy Value Investing: • Central tenets of value investing • Evidence and prospects of value investing	10	25
4.	Forensic Accounting: • Classifications of fraud • Behavioural aspects of Fraud • Origin and growth of forensic accounting • Fraud theories • Motivators of fraud • Triangle of fraud action • Fraud Scale and Fraud Diamond • MICE Forensic accounting Introduction and meaning Origin and growth of forensic accounting Tools in Forensic Accounting • Ratio analysis • Data mining • Benford's Law (specific to forensic accounting) • Forensic Accounting in India • Zurich Axioms (Risk and Greed only) • Future of behavioural finance and investing	12	25
5.	Practical: Timing of good and bad corporate news announcement. Systematic approach of using behavioural factors in corporate decision-making. Personality traits and risk attitudes in different domains.	--	--
	Total	45	100



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Suggested Specification Table with Marks (Theory):

Distribution of Theory Marks (in %)					
R Level	U Level	A Level	N Level	E Level	C Level
20	30	20	20	10	0

Where R: Remember; U: Understanding; A: Application, N: Analyze and E: Evaluate C: Create (as per Revised Bloom's Taxonomy)

Suggested case studies: (More cases may be taken up in addition to these)

- India's Payments Solution Company 'Razorpay' – From a Fintech Startup to a Unicorn
- Paytm Employing Technologies and Tools to Fight Cyber Fraud
- Punjab National Bank Scam Case

References/Suggested Learning Resources:

(a) Books:

No.	Author	Name of the Book	Publisher	Year of Publication / Edition
1	Prasanna Chandra	Behavioural Finance	McGraw Hill	2020/2 nd
2	M. M. Sulphey	Behavioural Finance	PHI	2014 / 1s
3	Richard M. Thaler	Advances in Behavioural Finance: Volume II	Princeton University Press	2005
4	Williams Forbes	Behavioural Finance	Wiley	2009 / 1st
5	Parag Parikh	Value Investing and Behavioural Finance	McGraw Hill	2009
6	Herbert A. Simon, Massimo Egidi, Riccardo Viale, Fondazione Rosselli, Robin Marris.	Economics, Bounded Rationality and the Cognitive Revolution	Edward Elgar Publishing	2008
7	Mohnish Pabrai	The Dhandho Investor	Wiley	2016
8	James Montier	The Little Book of Behavioral Investing: How Not to be Your Own Worst Enemy	Wiley	2015
9	Shuchita Singh, Shilpa Bahi	Behavioural Finance	Vikas	2018 / 1st
10	Sujata Kapoor, Jaya Mamta Prosad	Behavioural Finance	Sage	2019

Note: Wherever the standard books are not available for the topic appropriate print and online resources, journals and books published by different authors may be prescribed.



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(b) List of journals/periodicals/magazines/newspapers:

1. Journal of Behavioural Finance
2. Journal of Behavioural and Experimental Finance
3. International Journal of Behavioural Accounting and Finance
4. The IUP Journal of Behavioural Finance
5. Outlook Money (Magazine)
6. Money Today (Magazine)
7. <https://www.dartmouth.edu/~lusardiworkshop/Papers/FPA%20BEHAVIORAL%20BIAS%20PAPER.pdf> – The Future of Wealth Management: Incorporating Behavioral Finance into Your Practice By Michael M. Pompian, CFA, CFP and John M. Longo, Ph.D., CFA

(c) Pedagogy:

- ICT enabled Classroom teaching
- Case study
- Practical / live assignment
- Interactive class room discussions

Suggested Project List, if any:

- Analyze timing of good and bad corporate news announcement. Analysis of the corporate news.
- To understand how heuristics and biases influence investors' financial decision making.
- To study about financial decision-making and financial markets from the perspective of behavioural sciences.
- Construct a project management framework from real-world problems on “The impact and relevance of behavioural finance in investment decision of investor”.

Suggested Activities for Students, if any:

- Expert session to be conducted
- Group Presentation

CO- PO Mapping:

Semester 3	Course Name : Behavioural Finance				
	POs				
Course Outcomes	PO1	PO2	PO3	PO4	PO5
CO1	3	2	1	3	2
CO2	3	2	1	2	3
CO3	3	3	2	2	2
CO4	3	3	3	2	2
CO5	2	3	1	2	3

Legend: '3' for high, '2' for medium, '1' for low and '-' for no correlation of each CO with PO.

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