As Per NEP 2020

Tolani College of Commerce
(Autonomous)

Knowledge is Supreme

Title of the Course: Behavior Finance
Programme: Bachelor of Commerce (Accounting & Finance)

Semester: V

Syllabus for 4 Credit Course
From the Academic Year 2025-2026

Name of the Course: Behavior Finance

Sr. No.	Heading	Particulars
1	**Description the course:**	This course explores the intersection of psychology and finance, examining how cognitive biases, emotions, and social factors affect the financial decisions of individuals and markets. Students will learn about various behavioral finance theories, the role of heuristics, and the implications of irrational behavior on investment strategies and market dynamics. Through case studies and empirical research, students will gain insights into improving financial decision-making and understanding market anomalies.
2	**Vertical:**	Major Electives
3	**Type:**	Theory
4	**Credit**:	4 Credits
5	**Hours Allotted:**	60 Hours
6	**Marks Allotted**:	100 Marks Continuous Evaluation: 40 Semester-End Examination: 60
7	**Course Objectives:**	

7. **Course Objectives:**
   1. To provide an understanding of how behavioral finance differs from traditional finance, focusing on the cognitive biases that impact financial decision-making.
   2. To deepen students' understanding of how behavioral factors impact financial markets, exploring theories like the Efficient Markets Hypothesis (EMH) and the role of information in market efficiency.
   3. To provide students with an understanding of how heuristics and cognitive biases affect the decision-making processes of individual and institutional investors.
   4. To introduce students to Behavioral Portfolio Theory (BPT) and compare it with traditional portfolio theory

8. **Course Outcomes**:
   1. Learner will able to define behavioral finance and articulate its scope within financial studies.
   2. Analyze how behavioral factors influence asset management and the systematic underperformance in active portfolio management.
   3. Identify and describe key heuristics, such as familiarity, representativeness, and anchoring, and understand their related biases.
   4. Understand how investor psychology influences portfolio construction and asset allocation decisions.

9. **Module 1: Introduction to Behavioral Finance** (15 Hours)

Definition and scope of behavioral finance, Historical development and key contributions, Differences between traditional finance and behavioral finance, Overview of cognitive biases and their impact on decision-making.

Module 2: Behavioral Factors and Financial Markets (15 Hours)

The Efficient Markets Hypothesis – Fundamental Information and Financial Markets - Information available for Market Participants and Market Efficiency -Market Predictability – The Concept of limits of Arbitrage Model - Asset management and behavioral factors - Active

	Portfolio Management: return statistics and sources of systematic underperformance. - Fundamental information and technical analysis – the case for psychological influence.
	Module 3: Heuristics and behavioral biases of investors **(15 Hours)**
	Types of investors- Individual and Institutional - How the human mind works-the two systems; Familiarity and related heuristics; Representativeness and related biases; Anchoring; Irrationality and adaptation; Hyperbolic discounting. Sovereign credit rating - drivers
	Module 4: Behavioral Portfolio Theory **(15 Hours)**
	Overview of traditional portfolio theory vs. behavioral portfolio theory, Investor behavior and portfolio construction, Asset allocation strategies influenced by behavioral factors, Risk perception and its impact on investment choices.

10	**Reference Books:**
	1. **Thinking, Fast and Slow**
	    o **Author:** Daniel Kahneman
	    o **Publisher:** Farrar, Straus and Giroux
	    o **Year:** 2011
	2. **Misbehaving: The Making of Behavioral Economics**
	    o **Author:** Richard H. Thaler
	    o **Publisher:** W.W. Norton & Company
	    o **Year:** 2015
	3. **Behavioral Finance: Psychology, Decision-Making, and Markets**
	    o **Author:** Hersh Shefrin
	    o **Publisher:** Cengage Learning
	    o **Year:** 2016
	4. **Irrational Exuberance**
	    o **Author:** Robert J. Shiller
	    o **Publisher:** Princeton University Press
	    o **Year:** 2015 (3rd edition)
	5. **Behavioral Finance and Wealth Management: How to Build Optimal Portfolios That Account for Investor Biases**
	    o **Author:** Michael Pompian
	    o **Publisher:** Wiley
	    o **Year:** 2016
	6. **Behavioral Finance: A New Approach to Financial Markets**
	    o **Authors:** Michel Crouhy, Dan Galai, and Robert Mark
	    o **Publisher:** McGraw-Hill
	    o **Year:** 2001
	7. **Advances in Behavioral Finance**
	    o **Editors:** Richard H. Thaler
	    o **Publisher:** Russell Sage Foundation
	    o **Year:** 2005

11	**Internal Continuous Assessment: 40%**	**Semester End Examination: 60%**

12	**Continuous Evaluation through:**		
	Sub-components	Maximum Marks	Conditions for passing
	1) Assignment/Case Studies/Project/Field Visit	15	A learner must be present for each of the sub-components.
	2) Presentation/Book Review/ Research Paper Report	15	
	3) MCQ Based Test	10	
	Total	40	

13	**Format of Question Paper:**

Semester End Examination Question Paper Pattern

Maximum Marks: 60   **Duration: 2 Hours**
All Questions are Compulsory Carrying 15 Marks each.

Question No	Particular	Marks
Q-1	**Attempt the following: (Any 2 out of 4)** a. Theory/ Practical Questions b. Theory/ Practical Questions c. Theory/ Practical Questions d. Theory/Practical Questions	**15 Marks**
Q-2	**Attempt the following: (Any 2 out of 4)** a. Theory/ Practical Questions b. Theory/ Practical Questions c. Theory/ Practical Questions d. Theory/Practical Questions	**15 Marks**
Q-3	**Attempt the following: (Any 2 out of 4)** a. Theory/ Practical Questions b. Theory/ Practical Questions c. Theory/ Practical Questions d. Theory/Practical Questions	**15 Marks**
Q-4	**Attempt the following: (Any 2 out of 4)** a. Theory/ Practical Questions b. Theory/ Practical Questions c. Theory/ Practical Questions d. Theory/Practical Questions	**15 Marks**

Signatures of Team Members

Sr. No	Name	Signature
1.	Mr. Murugan Nadar	
2.	Mr. Mubeen Shaikh	