

Course Code	MB18FM08	Course Name	BEHAVIORAL FINANCE	Course Category	Foundation Course	L	T	P	C
						2	0	2	3

Pre-requisite Courses		Co-requisite Courses		Progressive Courses	
Course Offering Department	Faculty of Management		Data Book / Codes / Standards		

Course Learning Rationale (CLR):	The purpose of learning this course is to:	Learning	Program Learning Outcomes (PLO)
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CLR-1 :	Introduce the student to the new field of behavioural finance, psychology and strategies	1	2	3	1	2	3	4	5	6	7	8	9	10	11	12
CLR-2 :	Expose the student to the building blocks of behavioural finance, arbitrage and expected utility															
CLR-3 :	Familiarise students with the theories, biases and investor sentiments															
CLR-4 :	Understand the psychological aspects and challenges underlying the issue of rational and irrational behaviour															
CLR-5 :	Apply and analyse the impact of news and timing from the corporate angle and highlight the ramifications of effective news communication.															
On completion of this course the students should be in a position to exhibit the following learning skills:																
Course Learning Outcomes (CLO):	<i>At the end of this course, learners will be able to:</i>	<i>Level of Thinking (Bloom)</i>	<i>Expected Proficiency (%)</i>	<i>Expected Attainment (%)</i>	Effective communication skills	Initiate critical thinking	Resources analysis for organisations	Familiarize organisations and its stakeholders	Integrate functional knowledge with strategic skills	Comprehend effectively in globalized environment	Practice business ethics with integrity	Enhance careers and commitment	Instigate entrepreneurial drive	Application of multidisciplinary knowledge comprising of finance, operations, system, marketing and human resources management to integrate business projects	Usage of business metrics to evaluate business projects to develop growth strategies	Authorize the students to innovate and execute the business idea during the challenging business situation
CLO-1 :	Apply the concepts of psychology and behavioural finance	1	60	50	M	H	H	M	L	M	M	M	L	H	H	H
CLO-2 :	Demonstrate a basic understanding of the building blocks of behavioural finance	1	50	70	L	H	L	L	M	M	M	L	L	M	H	H
CLO-3 :	Apply knowledge gained to apply the theories, biases and investor sentiments	2	80	75	M	H	L	L	M	M	L	L	L	M	H	M
CLO-4 :	Interpret the reasons behind investors' rational and irrational behaviour	2	80	70	M	H	M	L	M	M	L	L	L	M	H	H
CLO-5 :	Analyse the impact of good and bad news from corporate and its communication	3	90	80	M	H	H	L	M	M	L	L	H	H	H	L

Duration (hour)	6		6		6		6		6	
S-1	SLO-1	Behavioural Finance: Nature, Scope	Building block of Behavioural Finance	Ellsberg's paradoxes	External factors and investor behaviour	Behavioural corporate finance				

	SLO-2	Objectives and Significance & Application of Behavioural Finance	Cognitive Psychology and limits to arbitrage	Rationality from an economics and evolutionary prospective		Empirical data on dividend presence or absence
S-2	SLO-1	History of Behavioural Finance	Demand by arbitrageurs: Definition of arbitrageur	Different ways to define rationality: dependence on time horizon, individual or group rationality.	Fear & Greed in Financial Market	Ex-dividend day behaviour
	SLO-2		Long-short trades			Timing of good and bad corporate news announcement..
S-3	SLO-1	Psychology: Concept, Nature	Risk vs. Horizon	Herbert Simon and bounded rationality.	Emotions and financial markets	Systematic approach of using behavioural factors in corporate decision-making
	SLO-2	Importance of Psychology	Transaction costs and short-selling costs;	Demand by average investors: Definition of average investor		
S-4	SLO-1	The psychology of financial markets	Fundamental risk; Noise-trader risk	Belief biases	Geomagnetic storm	Neurophysiology of risk-taking.
	SLO-2	The psychology of investor behaviour	Professional arbitrage	Limited attention and categorization		
S-5	SLO-1	Behavioural Finance Market Strategies, Prospect Theory	Destabilizing informed trading (positive feedback, predation)	Non-traditional preferences	Statistical methodology for capturing the effects of external influence onto stock market returns	Personality traits and risk attitudes in different domains
	SLO-2	Loss aversion theory under Prospect Theory & Mental Accounting	Expected utility as a basis for decision-making	prospect theory and loss aversion		
S-6	SLO-1	Investors Disposition effect	The evolution of theories based on expected utility concept	Bubbles and systematic investor sentiment	Case study	Case study
	SLO-2					

Learning Resources	1. Behavioral Finance Paperback – 1 Jul 2017 by Chandra published by McGraw-Hill Education.	5. More Than You Know – Finding Financial Wisdom in Unconventional Places (Updated and Expanded)
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	2. Behavioral Finance Paperback – 2014 by <u>Sulphey M.M.</u> Publisher: Prentice Hall India Learning Private Limited 3. Behavioral finance by Williams Forbes– 2011, Published by Wiley. 4. The Little Book of Behavioural Investing: How not to be your own worst enemy (Little Books, Big Profits (UK)) by James Montier – 2010	(Columbia Business School Publishing) Paperback – 21 Jun 2 by <u>Michael Mauboussin</u>
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Learning Assessment											
	Bloom's Level of Thinking	Continuous Learning Assessment (50% weightage)								Final Examination (50% weightage)	
		CLA – 1 (10%)		CLA – 2 (15%)		CLA – 3 (15%)		CLA – 4 (10%)			
		Theory	Practice	Theory	Practice	Theory	Practice	Theory	Practice	Theory	Practice
Level 1	Remember Understand	15	15	20	20	15	15	15	15	15	15
Level 2	Apply Analyze	20	20	15	15	15	15	20	20	20	20
Level 3	Evaluate Create	15	15	15	15	20	20	15	15	15	15
	Total	100 %		100 %		100 %		100 %		100 %	

CLA – 4 can be from any combination of these: Assignments, Seminars, Tech Talks, Mini-Projects, Case-Studies, Self-Study, MOOCs, Certifications, Conference Paper, etc.

Course Designers		
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