



**JINDAL SCHOOL OF
BANKING & FINANCE**
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O.P. JINDAL GLOBAL
INSTITUTION OF EMINENCE DEEMED TO BE
UNIVERSITY
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BFXU-03-BCM-FNE3308: Behavioural Finance

Cross-Elective Course: Fall Semester 2026

Course Information

Course Duration: 28 Sessions (14 weeks)

Credit Hours: 4 Credits

Class Timings: Monday and Wednesday (5:40-7:40 pm)

Classroom: T3-T71 (Third Floor West Side)

Prerequisites: Financial Management

Equivalent Courses: None

Exclusive Courses: N/A

Instructor Information

Instructor: Prof. Nikita Sharma

Biography: Refer to homepage

Email: nikita.sharma@jgu.edu.in

Office: FOB 2nd Floor, Room 20B East

Office Hours (By appointment only): Monday (3:30-5:30 pm) and Thursday (1:20-3:20 pm)

Homepage: <https://jgu.edu.in/jsbf/faculty/prof-nikita-sharma>

1. Course Description

Behavioral Finance, while a relatively recent development in mainstream financial discourse, is rooted in interdisciplinary insights drawn from psychology, economics, and decision sciences that challenge the traditional assumption of fully rational investors and efficient markets. This course introduces these foundational ideas by first examining the structure and functioning of financial markets from a behavioral perspective, highlighting the limitations of the rational market paradigm and emphasizing the role of human psychology in shaping price formation and market outcomes. It explores how investor beliefs, perceptions, and expectations influence financial decisions, thereby providing a more realistic understanding of market behaviour.

The course further develops a comprehensive understanding of investor decision-making by contrasting normative models such as expected utility theory with actual observed behaviour in financial contexts. It examines how individuals perceive risk and return, and how cognitive framing and prospect theory influence investment choices, particularly in situations involving gains and losses. Building on this, the course provides an in-depth analysis of cognitive biases that systematically affect financial decisions, including heuristics such as overconfidence, anchoring, and representativeness, and their implications for trading behaviour and portfolio selection.

In parallel, the course investigates the role of emotions and market sentiment in driving financial market dynamics. It analyzes how psychological factors such as fear, greed, regret, and loss aversion shape investor actions across different market conditions, and how collective sentiment contributes to market trends and volatility. The course also explores patterns in investor behaviour, including herding, speculation, and noise trading, while distinguishing between the behaviour of retail and institutional investors and examining the growing influence of media and digital platforms on financial decision-making.

Extending these insights to market-level phenomena, the course critically evaluates the Efficient Market Hypothesis in light of persistent anomalies such as momentum, reversals, bubbles, and crashes. It highlights the limits to arbitrage and provides behavioral explanations for why such anomalies persist in real-world markets. The course then applies these concepts to investment practice by introducing behavioral portfolio construction, addressing issues such as diversification, familiarity bias, and mental accounting, and discussing strategies for bias-aware investing and improved decision-making.

Finally, the course considers the practical implications of behavioral finance in professional and regulatory contexts. It examines the role of behavioral insights in financial advising, investor protection, and the prevention of mis-selling, as well as the importance of regulatory frameworks in managing irrational market behaviour. Through the integration of theoretical concepts with real-world applications and case studies, the course equips students with the analytical tools necessary to understand, anticipate, and respond to behaviour-driven dynamics in financial markets, thereby enhancing both investment decision-making and policy perspectives in contemporary finance.

2. Course Intended Learning Objectives (Aim)

Course Intended Learning Outcomes	Teaching and Learning Activities	Assessments/Activities
1. To understand behavioural perspectives on financial markets, including the role of psychology, emotions, and cognitive biases in influencing investor behaviour and market outcomes (<i>Modules 1, 3, and 4</i>)	Lectures, conceptual discussions, videos, and real-world illustrations	Quizzes, class exercises, and participation
2. To examine investor decision-making under risk and uncertainty using behavioural theories such as prospect theory, framing, heuristics, and deviations from rationality (<i>Modules 2 and 3</i>)	Lectures, discussions, and bias-identification activities	Quizzes and short exercises
3. To analyse investor behaviour patterns, market sentiment, speculation, herding, and the influence of media in shaping financial market dynamics and anomalies (<i>Modules 5 and 6</i>)	Case discussions, interactive sessions, and historical case studies	Class exercises and quizzes
4. To apply behavioural finance concepts to portfolio construction and investment strategies, including diversification challenges, mental accounting, and bias-aware decision-making (<i>Module 7</i>)	Practical exercises and portfolio-based discussions	Class exercises and applied assignments
5. To evaluate the implications of behavioural finance for financial practice, investor protection, and regulatory interventions in modern financial systems (<i>Module 8</i>)	Case studies, videos, and applied discussions	Case-based assessments and participation

Classroom Participation

As this is a case-based course, students are expected to be active participants in classroom discussions. This includes attending all classes, being prepared by having read and analyzed cases ahead of class time and being ready to offer analyses and insights during class discussions. Students should be prepared to discuss and apply concepts during class.

3. Scheme of Evaluation and Grading Evaluation breakup

This is a continuous assessment course. Your understanding of the subject matter will be assessed on a scaffolding scale. This Learning assumes substantial and informed student participation. General discussion of theory and practice is encouraged and expected of all students. At a minimum, being informed requires class attendance, completion of assigned readings and homework, and attention to industry, technology and financial news and world events. Class attendance and thoughtful participation are important and will be reflected in part in the final grade. Please notify the instructor of an absence before the class.

The final grade for this Learning will be based on:

Component	Percentage Weight	Type	Date
A1: Quizzes	20%	Individual	Week 2-14
A2: Case Study Presentation	5%	Individual in-class presentation	Week 4-12
A3: Class Participation	5%	Attending and participating in classroom discussions	Week 1-14
A3: Group Project & Presentation	20%	Group report and in-class presentation	Week 6-14
A4: End-Term Examination	50%	Individual written exam	End of Semester

Notes: All assignments submitted will be screened for plagiarism and would be penalized appropriately. The details of the presentation and project report will be discussed in the class.

Description of Assessments

Quiz (20%)

Quizzes will be used as a tool to encourage continuous learning and reinforce key concepts in behavioral finance. These will assess students' understanding of topics such as cognitive biases, investor decision-making, market anomalies, and behavioral theories. The instructor may conduct quizzes periodically to ensure engagement and conceptual clarity. In all cases, quizzes will be announced at least one week in advance.

Case Assessments (5%)

The instructor will assign case studies related to behavioral aspects of financial decision-making, investor psychology, and market phenomena such as bubbles, crashes, or irrational trading behaviour. Students will be required to analyse the case using behavioral finance concepts and frameworks. Based on their analysis, students will present their insights and may be evaluated through a viva to assess depth of understanding and application.

Class Participation (5%)

Students are expected to maintain regular attendance and actively engage in classroom activities throughout the course. Evaluation will primarily be based on consistency in attendance, attentiveness during lectures, and involvement in discussions and interactive sessions. Additional consideration will be given to meaningful participation in case discussions, quizzes, and activities related to behavioural finance concepts, investor psychology, and financial market behaviour.

Group Project Report & Presentation (20%)

Students will be assigned a group project focusing on real-world applications of behavioral finance, such as analysing investor behaviour, market anomalies, speculative episodes, or the role of sentiment in financial markets. The project will require independent research using secondary (and where possible, primary) data. Students will synthesize their findings into a structured report and deliver a professional in-class presentation. Emphasis will be placed on analytical depth, application of behavioral concepts, and effective teamwork and coordination among group members.

Final Exam (50%)

A comprehensive final examination will be conducted at the end of the semester. The exam will assess students' understanding of key behavioral finance theories, biases, market dynamics, and their ability to apply these concepts to real-world financial scenarios. Further details regarding the structure and format of the exam will be discussed in class.

Grade Sheet

The schema of the grading criteria may change. Students will be informed well in advance of any changes in the schema.

4. Grade Definition

The schema of the grade sheet may change. Students will be informed well in advance of any changes in the schema.

Letter Grade	Percentage of Marks	Grade Value	Grade Definition
O	80 and above	8	Outstanding: Exceptional knowledge of the subject matter, thorough understanding of issues; ability to synthesize ideas, rules and principles and extraordinary critical and analytical ability.
A+	75–79	7.5	Excellent: Sound knowledge of the subject matter, thorough understanding of issues; ability to synthesize ideas, rules and principles and strong critical and analytical ability.
A	70–74	7	Very Good: Sound knowledge of the subject matter, excellent organizational capacity, ability to synthesize ideas, rules and principles, critically analyse existing material and originality in thinking and presentation.
A-	65–69	6	Good: Good understanding of the subject matter, ability to identify issues and provide balanced solutions to problems and good critical and analytical skills.

B+	60–64	5	Fair: Average understanding of the subject matter, limited ability to identify issues and provide solutions to problems and reasonable critical and analytical skills.
B	55–59	4	Acceptable: Adequate knowledge of the subject matter to progress to the next level of study and reasonable critical and analytical skills.
B-	50–54	3	Marginal: Limited knowledge of the subject matter, some irrelevant use of materials, and weak critical and analytical skills.
P1	45–49	2	Pass 1: Pass with basic understanding of the subject matter.
P2	40–44	1	Pass 2: Pass with rudimentary understanding of the subject matter. <i>(Not applicable to Bachelor of Architecture)</i>
F	Below 40	0	Fail: Poor comprehension of the subject matter; weak critical and analytical skills and inadequate use of relevant materials. The course must be repeated.
P	Pass	—	Pass: Indicates the option of Pass/Fail grading system (introduced during COVID-19 semester, Spring 2020). Awarded when a student secures at least 40% marks under the current grading structure.
I	Incomplete	—	Incomplete: Assigned due to extenuating circumstances preventing completion of coursework or examination. The Assessment Panel may prescribe a timeline for completion or a supplementary examination.

5. Academic Integrity

Academic Honesty, Cheating, and Plagiarism

Learning and knowledge production of any kind is a collaborative process. Collaboration demands an ethical responsibility to acknowledge who we have learnt from, what we have learned, and how reading and learning from others have helped us shape our own ideas. Even our own ideas demand an acknowledgement of the sources and processes through which those ideas have emerged. Thus, all ideas must be supported by citations. All ideas borrowed from articles, books, journals, magazines, case laws, statutes, photographs, films, paintings, etc., in print or online, must be credited with the original source. If the source of inspiration of your idea is a friend, a casual chat, something that you overheard, or heard being discussed at a conference or in class, even they must be duly credited. If you paraphrase or directly quote from a web source in the examination, presentation or essays, the source must be acknowledged. The university has a framework to deal with cases of plagiarism. All form of plagiarism will be taken seriously by the University and prescribed sanctions will be imposed on those who commit plagiarism.

Disability Support and Accommodation Requirements:

JGU endeavours to make all its courses accessible to students. All students with any known disability needing academic accommodation are required to register with the Disability Support Committee dsc@jgu.edu.in. The Committee has so far identified the following conditions that could possibly hinder students' overall well-being. These include physical and mobility related difficulties; visual impairment; hearing impairment; medical conditions; specific learning difficulties e.g., dyslexia; mental health. The Disability Support Committee maintains strict confidentiality in its discussions. Students should preferably register with the Committee during the month of June/January as disability accommodation requires early planning. DSC will approve of and coordinate all disability related services such as appointment of academic mentors, arranging infrastructural facilities, and course related requirements such as special lectures, tutorials, and examinations.

Safe Space Pledge:

This course may discuss a range of issues and events that might result in distress for some students. Discussions in the course might also provoke strong emotional responses. To make sure that all students collectively benefit from the course, and do not feel disturbed due to either

the content of the course or the conduct of the discussions. Therefore, it is incumbent upon all within the classroom to pledge to maintain respect towards our peers. This does not mean that you need to feel restrained about what you feel and what you want to say. However, consent is key. Recording anyone – video or audio – without permission is entirely prohibited. This shall be held for both the student and the instructor

Participation/Attendance Policy

Students are expected to arrive on time. Attendance will be taken any time during the class. Students should also join the class by the end of the break period, which may change per lesson. Students need to maintain 75% attendance in the course to be eligible to be graded and ‘pass’ this course.

Use of phone/ texting/ laptop

1. Use of cell phones in class: Mobile phones are to be switched off or in silent mode during lectures. Any misuse of this policy like using it for surfing or social networking or any activity like answering the phone or texting during lectures which is causing or may cause a distraction in the class will result in the student being not given attendance for the class. Repeated transgressions will lead to FAILING grade in the course. Failure to follow this will result in obtaining a zero in the respective component.

2. Laptops and Similar Gadgets: As directed.

6. Keyword Syllabus

Behavioral Finance; Investor Psychology; Cognitive Biases; Market Anomalies; Investor Sentiment; Behavioral Portfolio Management

7. Course Material

- Ackert, L. F., & Deaves, R. (2010). *Behavioral Finance: Psychology, Decision-Making, and Markets* (1st ed.). South-Western Cengage Learning.
- Nofsinger, J. R. (2018). *The Psychology of Investing* (6th ed.). Routledge.
- Shiller, R. J. (2015). *Irrational Exuberance* (3rd ed.). Princeton University Press.

Reports & Case Materials:

- Reports from regulatory bodies (e.g., SEBI, OECD)
- Case studies on market bubbles, crashes, and investor behaviour

- Contemporary articles on fintech, retail investing, and market trends

Other Learning Resources:

- Lecture slides and class notes
- Videos and documentaries related to financial markets and investor behaviour
- Online financial data sources (as applicable)

8. Session Plan

Week & Session	Module & Topics Covered	Readings
Week 1 Sessions 1–2	Module 1: Financial Markets – A Behavioural Perspective 1) Nature and structure of financial markets 2) Role of investors 3) Limits of rational market assumption 4) Behavioural vs traditional finance	1) Ackert & Deaves Behavioral Finance: Psychology, Decision-Making, and Markets 2) Nofsinger – Ch. 1
Week 2–3 Sessions 3–6	Module 2: Investor Decision-Making in Financial Contexts 1) Risk-return perception in investments 2) Expected utility vs real investor behaviour 3) Prospect theory in asset allocation decisions 4) Framing effects in buy/sell decisions and loss realization	1) Kahneman & Tversky (1979) 2) Nofsinger – Ch. 2–3
Week 4–5 Sessions 7–10	Module 3: Cognitive Biases in Investment Decisions 1) Heuristics in stock selection and trading strategies	1) Ackert & Deaves 2) Barber & Odean (2001)

	<p>2) Overconfidence in excess trading and portfolio turnover</p> <p>3) Anchoring in valuation and price expectations</p> <p>4) Representativeness in trend-chasing and momentum investing</p> <p>5) Biases in portfolio diversification and asset allocation</p>	
<p>Week 6–7</p> <p>Sessions</p> <p>11–14</p>	<p>Module 4: Emotions and Market Sentiment</p> <p>1) Fear and greed in bull and bear markets</p> <p>2) Loss aversion & disposition effect in selling behaviour</p> <p>3) Regret and hindsight in investment mistakes</p> <p>4) Measuring investor sentiment and its impact on asset prices</p> <p>5) Neurofinance</p>	<p>1) Nofsinger – Ch. 4–5</p> <p>2) Selected articles</p>
<p>Week 8–9</p> <p>Sessions</p> <p>15–18</p>	<p>Module 5: Investor Behaviour and Trading Patterns</p> <p>1) Herding in equity and crypto markets</p> <p>2) Speculation and noise trading in short-term markets</p> <p>3) Behavioural differences: retail vs institutional investors</p> <p>4) Role of media, social platforms, and attention-driven investing</p>	<p>1) Shiller – <i>Irrational Exuberance</i></p> <p>2) Case articles</p>
<p>Week 10–11</p>	<p>Module 6: Psychology Behind Market Anomalies</p> <p>1) EMH vs observed market inefficiencies</p>	<p>1) Ackert & Deaves</p> <p>2) Selected readings</p>

Sessions 19–22	<ul style="list-style-type: none"> 2) Momentum and reversal in trading strategies 3) Behavioural causes of bubbles and crashes 4) Limits to arbitrage in real financial markets 	
Week 12 Sessions 23–24	Module 7: Behavioural Portfolio and Investment Strategies <ul style="list-style-type: none"> 1) Behavioural portfolio construction 2) Diversification vs familiarity bias 3) Mental accounting 4) Bias-aware investment strategies 	<ul style="list-style-type: none"> 1) Nofsinger – Ch. 6–7 2) Shefrin (excerpts)
Week 13 Sessions 25-26	Group Project Presentation	
Week 14 Sessions 27–28	Module 8: Psychology in Financial Market Practice and Regulation <ul style="list-style-type: none"> 1) Behavioural aspects in financial advising 2) Investor protection and mis-selling 3) Role of regulators 4) Case studies of crises and speculative episodes 	<ul style="list-style-type: none"> 1) OECD/SEBI reports 2) Case studies

Please note that session topics and activities may be subject to change during the course