UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Psychology of Financial Decision Making

2627-3-E1803M144

Learning objectives

This course offers students a comprehensive introduction to the pivotal role of psychology in interpreting and predicting human choice and behaviour within the financial domain. It covers the major theories and core concepts of decision-making and economic psychology, providing a solid foundation for understanding behavioural patterns and irrational phenomena involving consumers, investors, and financial markets. The course aims to equip students with the analytical tools and critical insights needed to explore how psychological factors influence financial choices and market dynamics.

Contents

Describe the gap between classical economics theories and neo-behavioural ones
Note behavioral finance's growing legitimacy, demonstrating how it explains 'anomalies' in markets and investor behaviour
Explain the Consumer Sentiment Index for market predictions to exemplify the role of perceptions and beliefs
Course topics:
Introduction to psychological main areas: perception, memory, emotions, cognition, learning, motivation and social psychology

Detailed program

Decision Making
The theory of Limited Rationality – real cases and examples
The dual system of deliberation - involvement, information processing and emotions
The Elaboration Likelihood Model

Cognitive biases – review of the most significant ones and applications to finance
Impulse and Emotions as integral part of the decision making process
Attitudes and Attitudes Change
The role of attitudes in the prediction of behaviour
Action theories and the role of social influence, motivation and perceived control
Attitudes roles and persuasion theories; market rumors, source authority, impact of cognitive biases on attitude formation and change
Individuals, Groups, and Social Influence
Identity, self-concept, symbolic communication
Social categorisation, social imitation and social values (eg. Individualism, Selfishness, Altruism)
Social cognitive theory, Individual and Organisational Self-efficacy in Financial choice
Signalling theory vs Interpretative symbolic interaction
Psychological foundation of pricing perception and strategy
Risk perception, risk aversion and risk taking
From Framing Theory to Individual and Personality differences: the impact on investors behaviours
The impact of overconfidence
Applied Examples: explaining irrational market trends, retirement, saving and debt – cross-cultural differences associated with local values and culture.

Prerequisites

none

Teaching methods

Knowledge and Understanding
Theoretical models are consistently examined and explained through real-world examples and cases of application. This approach ensures adequate understanding of the fundamental role of psychology for the interpretation and prediction of financial choices and market trends.
Applying Knowledge and Understanding
Students are engaged with exercises to master cognitive biases and other course key topics to promote the implementation of key concepts to control irrationality, fostering improved control of cognitive biases and enabling better strategies in management decision making and financial choices.
Independent Judgment
Comparisons among different psychological theories and scientific standpoints are encouraged to promote autonomous judgement and critical thinking.
Communication Skills
Students will practice communication skills by preparing an end of course presentation. They will be guided in the presentation design for effective pitch and will receive personalised feedback.
The course delivery consists in a 50% of class lectures, 30% of distant learning for group work and papers revisions, 20% of practical learning activities involving exercises, knowledge assessment, soft-skills practises, and testimonials talks.

Assessment methods

Exams will be oral and will be based on :

the power points presentations uploaded on the platform
the textbook: Behavioral Finance: Psychology, Decision-Making, and Markets" by Lucy Ackert & Richard Deaves, (3rd Edition, McGraw-Hill, 2009)
a maximum of 3 points will be added to the final evaluation for group work participants

Textbooks and Reading Materials

Behavioral Finance: Psychology, Decision-Making, and Markets" by Lucy Ackert & Richard Deaves, (3rd Edition, McGraw-Hill, 2009)

Semester

second semester

Teaching language

English

Sustainable Development Goals

REDUCED INEQUALITIES | RESPONSIBLE CONSUMPTION AND PRODUCTION