

Searching for the Core in Behavioral Finance: A multidisciplinary effort

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INTERNATIONAL CONFERENCE ON RECENT TRENDS IN HUMANITIES AND SCIENCE 2018, 'ICRTHS-2018'.

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26TH OCTOBER 2018.

American J of Bio-pharm Biochem and Life Sci 2018 December, Vol. 6: OP18

ABSTRACT

The study aims to explore the promising field of interdisciplinary research in the area of behavioral finance (BeFi). Relatively young as a sub field of behavioral economics, BeFi is a result of combination of traditional finance, mathematical probability, psychology, and decision science. Despite numerous perspectives offered to explain irrational financial decisions, one proposition is that all decisions eventually boil down to human behavior. Recent trend shows exciting developments with brain science, particularly the field of neuropsychology in understanding the cognitive and emotional aspects of the brain in influencing investor's behavior. The study echoes the paradigm shift by bringing up-to-date the extant literature of BeFi in preparation for further scientific inquiry. Specifically, past studies centered on theoretical foundation on investor's irrational behavior need to be aligned with recent scientific finding on brain research. The study concludes with the apparent limitation of humanities inquiry in the area of behavioral finance, and calls for empirical evidence beyond pen-and-pencil approach. Further contribution to BeFi through a multidisciplinary effort should be welcomed so as to advance the understanding and application of financial decision making.