The Influence of Behavioral Economics on Financial Decision Making

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Abstract. This study explores the impact of behavioral economics on individual and institutional financial decision-making processes. By analyzing behavioral biases and heuristics, the article evaluates how they affect investment strategies and financial planning. The findings highlight the importance of understanding psychological factors in improving financial outcomes and decision-making efficiency. The study provides valuable insights for both investors and financial advisors.

Keywords: Behavioral Economics, Financial Decision Making, Investment Strategies, Psychological Factors, Financial Planning

Introduction

Behavioral economics has reshaped our understanding of financial decision-making by highlighting the psychological factors that influence economic behavior. This article delves into the effects of behavioral economics on financial decisions, examining how biases and heuristics impact both individual and institutional strategies. By analyzing real-world examples and theoretical models, the study aims to enhance awareness of the psychological underpinnings of financial decisions. The insights offered are crucial for developing strategies that improve decision-making efficiency and financial outcomes.

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