The Role of Behavioral Economics in Financial Decision Making

Sam Clark
PhD
Erasmus University Rotterdam
Burgemeester Oudlaan 50, 3062 PA Rotterdam, Netherlands

Ashley Walker
Dr.
HEC Paris
1 Rue de la Libération, 78350 Jouy-en-Josas, France

Riley Adams
Prof.
Stockholm School of Economics
Box 6501, SE-113 83 Stockholm, Sweden

Abstract. This article examines the influence of behavioral economics on financial decision-making processes. It delves into the psychological factors that affect individual and institutional financial choices. By integrating insights from psychology and economics, the paper aims to enhance understanding of how biases and heuristics impact financial behavior. The study provides recommendations for improving financial decision-making through behavioral insights, which can lead to more effective personal and corporate financial strategies.

Keywords: Behavioral Economics, Financial Decision Making, Psychology, Biases, Heuristics

Introduction

Behavioral economics offers a unique perspective on understanding financial decision-making processes. By investigating the psychological underpinnings of financial behavior, this paper sheds light on the biases and heuristics that influence financial choices. The integration of psychological insights with economic theory can lead to improved financial strategies for both individuals and institutions. This study aims to provide a comprehensive overview of the role of behavioral economics in shaping financial decisions and offers practical recommendations for leveraging behavioral insights to enhance financial outcomes.

References

1. Jeyhun, R., Elshan, R., Naila, A., & Aydin, N. (2025). Effectiveness of Internet of Things migration into hybrid economic projects.
2. Rahimov, J., Rahimov, E., Nasirzade, A., & Yusifli, P. (2025). Economic aspects of projects based on the Internet of Things. Innovation and Sustainability Articles, 5(4), 31-44.