



# Behavioral Finance

CHALLENGES AND SOLUTIONS FOR DEVELOPING ECONOMIES

WORKSHOP 19 | oct | 2017

## ORGANIZATION

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## THEME

The aim of this workshop is to bring together researchers interested in behavioral aspects of financial markets and financial decision-making. We welcome research in behavioral finance in general but we also encourage researchers with behavioral studies connected to issues and challenges in developing countries. Towards the end of the workshop we will have a panel with Colombian practitioners and policy-makers about challenges they face in their institutions and how they may be tackled by the field of Behavioral Finance.

## BEHAVIORAL FINANCE AND PURPOSE OF THE WORKSHOP

The standard rational paradigm of the last fifty years has been successful in explaining many of the empirical regularities of financial markets. However, anomalies have been accumulating that are difficult to explain in terms of the standard rational paradigm, but many of which are consistent with recent findings from psychology. Behavioral Finance makes this connection, applying insights from psychology and neuroeconomics to financial economics. It puts a human face on the financial markets, recognizing that market participants are subject to biases, limits to rationality and emotional interferences. Those factors limit their ability to take good decisions and have predictable effects on security prices. It thus provides a powerful new tool for understanding financial markets and one that complements, rather than replaces, the standard rational paradigm in finance.

At its core, Behavioral Finance analyzes the ways in which people make financial decisions. Besides the impact on financial markets, it is also relevant to corporate decision making, investments, personal financial planning, financial inclusion and education. Our psychological biases have real financial effects, whether we are corporate managers, professional investors, or personal financial planners. When we understand these biases, we can make better decisions ourselves, further understand behavior of others and of markets, and improve the design of financial alternatives offered to the public.

Research and interest in Behavioral Finance has increased considerably over the past three decades. Many of the research questions that have been asked in this field are related to issues and challenges inherent to more developed markets and economies. For instance, many of the studies in Behavioral Finance tackle the question of why many individuals do not participate in the stock market and why most of those that do are under-diversified. Although this is a relevant question in general, it is not immediately applicable to developing countries where a considerable part of the population still doesn't even have access to a basic bank account. The bottom line is that the array of questions and challenges that Behavioral Finance can tackle in developing countries might defer from those in developed economies.

Developing markets and economies have their own issues and challenges that may be similar or not to challenges that developed economies face. Therefore, we welcome submissions of studies related to Behavioral Finance in general, but also encourage researchers with interests in developing economies.

Towards the end of the workshop we will have a discussion panel with practitioners and regulators. The purpose of this panel is to give practitioners and regulators a chance to present to researchers challenges and unanswered questions that can be tackled by the field of Behavioral Finance.

## CALL FOR PAPERS

Please send extended abstracts (minimum 1 page) or full papers to [dagudelo@eafit.edu.co](mailto:dagudelo@eafit.edu.co) no later than August 10th 2017. Papers and abstracts can be written in **English or Spanish** and must be submitted electronically in a single **PDF file**. Please specify all the **contact information** of the corresponding author, affiliation, title of the paper and co-authors in the e-mail you send.