FINANCIAL BEHAVIOUR UNDER RISK AND
UNCERTAINTY: ROLE OF EXPERIENCE AND EMOTION

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Abstract

The purpose of this research was to seek a better understanding of the role of learning and experience in moderating the influence of heuristics and biases in financial decision behaviour. The study was conducted using a mixed methods research approach where the quantitative analysis of self-reports from a survey questionnaire was supported by qualitative analysis of observed behaviour from case studies. The findings pointed to an inverse relationship when the choices involved risk or loss of money, and where the link could be the emotional state of the individual. The findings also highlighted the income variable as a significant predictor of irrational decision-making behaviour.

The study presented three contributions to behavioural decision research. One, the scope of the biases tested in relation to the experience variable was expanded to include the breakeven, house money, status quo and anchoring effects. Two, similarities and differences in decision behaviour between investment professionals and retail investors were examined under the same context. Three, the findings provided additional insights on the effect of loss aversion on riskless and risky choice tasks. It is hoped that the findings from this research will be of use to risk practitioners who seek to develop a judgement risk framework to complement the existing financial risk frameworks.
Abstrak


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