Full rationality of homo-economicus Behavioral finance studies the application of psychology to finance, with a focus on individual-level cognitive biases A definitive guide to the growing field of behavioral finance. I review the literature in three parts, namely, (i) empirical and theoretical analyses of patterns in the cross-section of average stock returns, (ii) studies on trading activity, and (iii) research in corporate finance. Yet today's I review the literature in three parts, namely, (i) empirical and theoretical analyses of patterns in the cross-section of average stock returns, (ii) studies on trading activity, and Under neoclassical economic theory, the assumption is made that ision makers are objective and rational, and seek expected utility with the benefit of limitless cognitive This article aims to review theories developed in the scope of behavioural finance and discuss future directions the subject could go. Nevertheless, given the Full rationality of homo-economicus assumption dominated the finance subject and asset pricing theories for ades. It focuses on three main issues This literature review discusses the relevant research in each component of what is known collectively as behavioral finance. We are asked, What is your theory of portfolio construction? Where is your asset pricing theory? This review of behavioral finance aims to focus on articles with direct relevance to practitioners of investment management, corporate finance, or personal financial planning Behavioral finance seeks to combine behavioral and cognitive psychological theory with conventional economics and finance, to provide explanations for why people make irrational financial I provide a synthesis of the Behavioural finance literature over the past two ades. behavioral finance lacks the unified structure of standard finance. This reliable resource provides a comprehensive view of behavioral finance and its psychological foundations, as well The fundamental issues of traditional finance are classical ision theory, rationality, risk aversion, model portfolio theory (MPT), the capital asset pricing model (CAPM), and the Behavioral finance is a modern area of study in finance which aims to combine behavioral and cognitive psychological theory with conventional economics and finance to provide This chapter explores the evolution of modern behavioral finance theories from the traditional framework. Behavioural finance is This article aims to review theories developed in the scope of behavioural finance and discuss future directions the subject could go.