

BEHAVIORAL ASPECTS OF AN OVERCONFIDENT INVESTOR

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ABSTRACT

Financial decisions are always a crucial decision for an individual and a business entity. The rationality of the decision depends on many factors like information the decision maker has, his analytical and decision-making skills, his past experience, his ability to draw a broad picture of the scenario, his skill in estimating future outcomes, etc. The decision maker is a social animal exposed to irrational and psychological feelings even though he tries to take the most logical decision free from all emotional feelings. This may not be always a possible majority of investors. This article tries to put some light on the behavioral aspects of finance and how overconfidence can affect the rationality of decisions.

KEYWORDS: *Behavioral Finance, Illusion of Knowledge, Illusion of Control, Overconfidence*