



THE ROLE OF EMOTION IN FINANCIAL DECISION-MAKING: A NEUROFINANCE APPROACH- A STUDY ON TELANGANA REGION

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ABSTRACT

Purpose

The main purpose of this article is to explore the emerging field of neurofinance, which investigates the intricate relationship between neural processes and financial decision-making. By delving into the neural underpinnings of economic choices, the paper aims to enhance our understanding of how the brain influences financial behaviors, thereby contributing to a more comprehensive perspective on economic decision-making

Design/Methodology/Approach

Neuroscience is the subject which studies the functioning of human mind and how the financial decisions making process are influenced by the affective of neurological basis. The research adopts a systematic and comprehensive approach, employing a literature review to assimilate a wide range of studies across neurofinance, neuroeconomics, and related disciplines. The authors analyze empirical research, neuroimaging studies, and behavioral experiments to construct a cohesive narrative that links neural activities to financial decision-making processes

Findings

Reduced financial exploitation and fraud would contribute to a more just society, where individuals are less likely to be manipulated or taken advantage of by unscrupulous financial institutions. This would help restore trust in financial systems and improve overall economic fairness. By recognizing the emotional underpinnings of peer influence, society could shift toward norms that promote long-term financial health rather than short-term, emotionally-driven consumerism. For example, social networks could play a role in encouraging responsible saving or investing behaviors, or even discouraging harmful financial practices such as payday lending or excessive borrowing.

Originality

Individuals with stronger emotional regulation may make more rational, long-term financial decisions. Conversely, those with weaker emotional regulation may be more prone to impulsive behaviors, such as selling assets in a market downturn or making speculative investments. Neurofinance could contribute to a better understanding of how to frame financial products and services in a way that accounts for emotional reactions. For example, presenting financial information in a less emotionally charged manner could reduce impulsive decision-making.

Research Limitations/Implications

Emotions significantly affect how individuals perceive and respond to risk. Positive emotions may lead to more risk-seeking behavior, while negative emotions may prompt more conservative or risk-averse decisions. Understanding this can help financial institutions tailor their advice and products to account for emotional states. High-stress levels can impair decision-making and lead to suboptimal financial choices, such as excessive risk-taking or avoidance of necessary risk. A better understanding of the brain mechanisms involved in stress and decision-making could help create interventions for managing stress in financial contexts.

Practical Implications

Emotion-Aware Financial Advice: Financial advisors could integrate emotional intelligence and neurofinance principles into their practice. By recognizing how emotions like fear, excitement, and overconfidence influence client decisions, advisors can better manage clients' emotional states during high-stakes financial moments (e.g., during market downturns or when making large investment decisions). **Tailored Investment Strategies:** For clients with high emotional reactivity or stress, advisors might suggest more conservative investment strategies, or implement financial strategies that allow clients to make decisions in a calm, structured environment. They could also introduce mindfulness practices or stress-reduction techniques to help manage impulsive decisions triggered by emotional highs or lows.



Social Implications

The social implications of "The Role of Emotion in Financial Decision-Making: A Neurofinance Approach" are profound, as the integration of emotional insights into financial behavior has the potential to influence not just individual financial outcomes, but also societal dynamics at large. By understanding how emotions shape financial decisions, we can identify new ways to improve collective financial health, enhance social equity, and promote responsible market behavior

KEYWORDS: Financial Decision, Neurofinance Approach, SEM Analysis

JEL Codes: D87, D88, D99, E18.

Article Classification: Research Paper with Empirical Evidence.

INTRODUCTION

Decision-making in finance has long been thought to be a rational event regulated by logic, facts, and computing in bids to maximize economic outcomes. Theoretical economic models have put forth the Efficient Market Hypothesis (EMH), which proposes that individuals arrive at decisions purely based on the information available to them, in an attempt to maximize their own utility. Actual financial decision-making tends to go against the very tenets of this assumption, as they are usually highly impacted by emotional and psychological forces that tend to result in actions that are hardly rational. Understanding the emotional driving forces in financial decision-making is an area of great interest for current finance, and neurofinance provides some significant ideas about this complex intertwining of emotion and finance. Neurofinance is an emerging interdisciplinary field within which neuroscience, behavioral economics, and psychology coalesce in investigating the brain, how it processes emotions and how such emotional states affect financial decision-making. Whereas classical finance assumes that investors and decision-makers are rational, neurofinance takes cognizance that emotions are not just unavoidable but rather constitutive of the whole process of decision-making in finance. Rather, when confronted by uncertainty, risk, and reward-situations all common in financial decision-making, emotional responses often will supersede cognitive processes.

The emotional aspect of financial decision-making becomes highly relevant considering the precarious and uncontrollable stature of financial markets. Examples of emotions that may color the conduct of investors include fear, greed, excitement, hope, and remorse. Where coming into play are the irrationality or, much more intensely, emotional dispositions, they ensure deviations from the rational or optimal types of decisions. Fear of loss or dip is one example of an emotion that would push an investor to dump an asset prematurely in lousy times, counterproductive to long-term investment objectives. On the other hand, greed or a feeling of overconfidence may induce an investor's excess willingness to take risks and pursue very risky investments in hope of higher returns even in situations where risks outstripped potential benefits.

How decisions are made about money depends largely on the emotional centers, particularly the amygdala and prefrontal cortex. While the amygdala allows for the processing of various emotions pertaining to fear of anxiety, heightened activity in it means increased risk aversion or panic during any market shake. The prefrontal cortex evaluates desirable achievements or immunizes against any threat, resolving whatever resistance there may be from the anxiety of the amygdala. These centers respond alongside and against those areas responsible for

impulse-driven behavior concerning the prefrontal cortex in what is called, in turn, emotional overriding. When something like unchecked fear or excitement controls decision-making, it is emotional overriding that spins off the true function-acting more based on emotional salience responses instead of thoughtful decisions. Neurofinance provides insights into how much often one makes a judgment influenced by impulses of emotions rather than purely rational reasoning. For example, loss aversion-the tendency of individual investors to be more sensitive to possible losses than to equivalent gains-may lead them to select suboptimal strategies. This psychological bias may cause investors to hold on to losing stocks too long, hoping for further recovery, while at other times investors shy away from taking any risk, even when the willingness to take acceptable risk may lead to greater returns.

Moreover, herding-the behaviour of conformism to the opinions of others-can also be caused by emotional contagion, making people adopt the behaviour of others due to fear of losing the opportunity or a desire to fit in. These emotions can drive speculative bubbles, as was true in historical financial crises, whereby collective optimism or panic spread swiftly through the markets, leading to outlandish overvaluation or undervaluation of assets. In this context, this article shows how neurofinance offers deeper insights into the cognitive and emotional mechanisms influencing our investment decisions. Understanding the emotional and neural factors that contribute to financial risk-taking may well help investors, advisors, and policymakers develop ways to minimize emotional biases, maximize the quality of decision-making, and encourage the most rational course of action, all the while maintaining the drama of an uncertain and emotionally charged financial world. In the end, a neurofinance approach provides a finer-grained understanding of financial decision-making, incorporating the uniqueness of human sentiment into its models.

In addition to individual decision-making, neurofinance helps explain the collective behaviors of herding and market bubbles, wherein groups of investors, driving collective emotional states, make similar decisions without fully analyzing the underlying financial fundamentals. This sort of behavior can contribute toward market distortions, wherein the prices of assets inflate beyond their real value or slump steeply down. The effect of emotion in such group decision-making could be observed in episodes like the Dotcom bubble or the financial crisis in 2008 where the cumulative emotional effects of fear, greed, and herd behavior were behind many irrational financial decisions. Appreciation for the role of emotion in financial decision-making may give rise to valuable insights for investors, financial advisors, and policymakers. In terms of



awareness, then, such knowledge can be beneficial to investors. For example, making rational decisions, avoiding impulsive behavior, and improving overall long-term financial planning can all be the outcome of an investor's awareness. To a financial advisor, neurofinance will mean advising clients according to further factors, such as emotional and psychological considerations, rather than pure data-driven models. Policymakers may also gain from knowing more about the psyches that make markets move, potentially basing regulation on that knowledge to design protections that shield investors from the pitfalls of emotional decision-making: when markets are most volatile, for example, or during speculative bubbles.

REVIEW OF LITARATURE

- **Dr. Mukesh Agarwall1, Dr. Aparna Pavani. S2, Dr. Santosh Laxman Adamane3, Guttapati Rushikesh Reddy4, Rahul Hemant Sutar5(2023):** The purpose of this review research paper is to explore the emerging field of neurofinance, which investigates the intricate relationship between neural processes and financial decision-making. By delving into the neural underpinnings of economic choices, the paper aims to enhance our understanding of how the brain influences financial behaviors, thereby contributing to a more comprehensive perspective on economic decision-making.
- **Hsin-Tzu Hsu and João Alexandre Lobo Marques (2023):** This work aims to analyze the connection between emotions and the decision-making process of investors and non-investors submitted to the same set of stimuli to understand how emotional arousal might dictate the decision process. Neuroscience monitoring tools such as Real-Time Facial Expression Analysis (AFFDEX), Eye-Tracking, and Galvanic Skin Response (GSR) were adopted to monitor the related experiments of this paper and its accompanying analysis process.
- **Edward Elgar Publishing, Gilles Hillary and David Mclean Editors (2022):** It aims to propose new theories about investor behavior and to test existing theories that are difficult to test with behavioral data alone but can however be tested with a combination of behavioral and neural data. The path taken in recent research has uncovered neurobiological foundations for well-known anomalies in investor behavior, revealing enticing opportunities for improving investor decision-making in the future.
- **Dr. Budheshwar Prasad Singhraul (2022):** This study is largely based on secondary sources of data making it a research based on conceptual analysis. It is expected that this study will nurture the further empirical researches done for analyzing individual's investment behaviour and decision, with the concern of building and exploring Neurofinance as a foundation in the field of behavioural finance researches.
- **Mohammed Rashid1, Rais Ahmad2 & Shazeb Tariq3(2022):** The paper aims to study the growth and evolution of finance, as well as how the evolution of finance theories aids investors in decision-making. The traditional finance model's perfect mobility and rationality fail to predict the economic events, dot-com bubble, and the European debt crisis. These economic disasters provide the foundation for the development of behavioral finance. Psychology and finance are merged into behavioral finance. It defies the traditional financial premise. The field provides unique insights into financial and investment decision making models. Behavioral finance also serves as a bridge for developing novel financial solutions known as Neurofinance.
- **Mrinalini Srivastava and Gagan Deep Sharma(2019):** This study aims to review the relationship between neurological processes and financial behavior from an interdisciplinary perspective. Individual decision-making is influenced by cognitive and effective biases; hence, it becomes pertinent to understand the origin of these biases.
- **François Desmoulins-Lebeault2, Jean-François Gajewski3, Luc Meunier(2018):** This article investigates how neurosciences can contribute to the study of finance and the most appropriate ways for neuroscientific methodologies to be applied to financial situations. In order to examine these areas, we have produced a literature review around three axes of the main neuroscientific studies published in finance: financial risk; discounting and credit risk; information and trading decisions.
- **Massimo Egidi and Giacomo Sillari (2018):** In this paper, we address theoretical developments of choice models in the financial field, starting with the famous efficient market hypothesis (EMH) in financial markets and its implications, then moving on to a review of the theoretical and empirical challenges posed by psychological and behavioral studies to the EMH, paying particular attention, once again, to these arguments' implications on the activity of financial operators. Finally, we look at the most recent studies aimed at identifying the neurophysiological links of financial choices.
- **Kavous Ardalan (2018):** This paper develops the implication of neurofinance with respect to the efficient markets hypothesis. Neurofinance informs us that thinking imposes strain on the mind, in the sense that thinking is a comparatively laborious, biologically costly, and neurologically expensive cognitive process.
- **Ewa A. Miendlarzewska1,2, Michael Kometer3 and Kerstin Preu Schoff (2017):** Using behavioral experiments, neurofinance studies how we evaluate information about financial options that are uncertain, time-constrained, risky, and strategic in nature and how financial decisions are influenced by emotions, psychological biases, stress, and individual differences (such as gender, genes, neuroanatomy, and personality). In addition, it studies how the brain processes financial information and how individual decisions arise within it. Finally, by combining these experiments with computational models, neurofinance aims to provide an alternative explanation for the apparent failure of classic finance theories.
- **Sagar. G, Dr. K. Janardhanam (2017):** The study identifies that the formal procedures and practices provide a striking substantiation of the brain activity associated with financial decision-making, thus showing the



importance of Neurofinance as an effective tool for improved economic decision-making through brain mapping techniques. The findings help towards understanding the risk preferences and the wherewithal while investing.

- **Dr. Priya Jinda, Shilpa Bahl (2016):** This paper highlight the effect of neurofinance which is the study of brain of humans and their financial decision making behavior which explains the cause why humans are not balanced as per the rules of the conventional theory of finance. We have tried to explain and present the literature review and fusion of the literature on neurofinance in this paper.
- **David Ascher, Wesley Vieira Da Silva, Claudimar Pereira Da Veiga, Alceu Souza.(2016):** This research aims to investigate a new approach of financial decision-making so-called “Neurofinance” which comes recently to the center of the many discussions as a new way to scholars in management and accounting analyze more consistently some factors that affect the financial decision-making.
- **Ali Rostamia, Seyede Forouzan Javaherishalmanib and Ma'boud Abbaszadehc (2014):** Financial sciences have begun with the classical theories; passed through the behavioral finance; and reached the neurofinance. At this stage, the medical and psychological sciences are used; moreover, the physical structure of human body and his environmental experiences are applied. In fact, this aspect of finance is tested based on the changes occurring in human's body affecting decision-making process. This new branch of finance discusses modeling financial market processes via investigating physiological processes in human's brain. Therefore, the cognition of human's behavior and how he deals with different issues in different conditions are the necessities of neurofinance. The present paper studies the process of financial schools.
- **Armando F. Rocha , João Paulo Vieito, Fábio T. Rocha(2013):** This is the subject of Neurofinances an emerging multidisciplinary area of research at the frontiers of Neurosciences, Economy, Finances and Accounting. Taking advantage of the new non-invasive Neurosciences techniques to study the human brain, Neurofinances is investigating the brain activity associated with financial decision. Here we discuss how Functional Magnetic Ressonance Imaging (fMRI) and Electroencephalogram (EEG) are being used in these studies. A short survey of fMRI studies is presented.
- **Armando F. Rocha¹, Roberto Ivo da R. Lima Filho², Heitor Augustus Xavier Costa³ and Igor Ribeiro Lima⁴ (2013):** The world is still facing a financial crisis

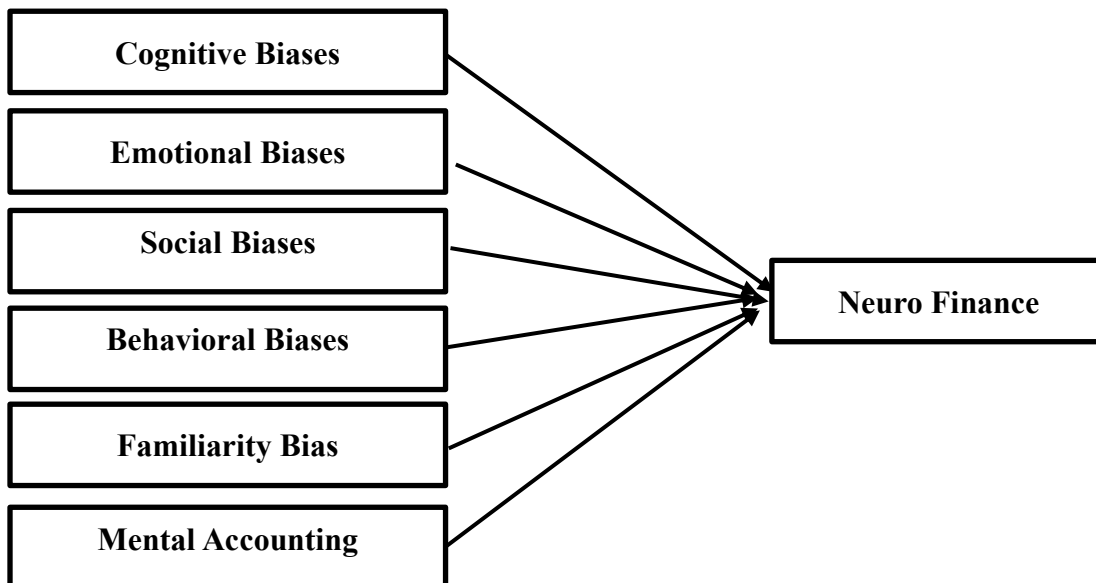
that started in mid 2007 and up to moment it is unsolved. Stock markets around the world reacted badly and the real time news has never played such an important role to investors as seen in previous crises. The impact of the media deepened the bear dynamics of markets around the world amplifying their volatility. Neurofinances is a new field of inquiring that has the purpose of studying decision making taking into consideration the role played by emotion.

- **Dr. Mohammed Z. Shariff, Dr. Jamal Al-Khasawneh, Dr. Adil ElSharif (2012):** In this paper, first, we will try to establish the status of behavioral finance and neurofinance. Then, we will try to determine the awareness about these fields in classes among students in general and among students majoring in finance in specific. From our study on limited sample, we found that behavioral finance and neurofinance are not at the state where we can classify them as new disciplines/paradigms.
- **Shalini Kalra Sahi (2012):** The purpose of this paper is to present a review as well as a synthesis of the extant literature in the field of Neurofinance. The paper has been divided into eight parts. The first and second parts introduce the paper and dwell upon the brain functions in financial decisions. Part three presents the origin of Neurofinance and part four explains the difference between traditional finance, behavioural finance and neurofinance. Part five and six of the paper look into the research studies in Neurofinance and their application.
- **Steven G. Sapra Paul J. Zak. (2008):** The purpose of this paper is to catalog some of the important findings from the fields of psychology and neurology, and to show potential implications for economics, with particular emphasis on financial markets. The blending of these fields is developing a new sub-field of neuroeconomics known as neurofinance.
- **K.C. Tseng (2006):** The principal purpose of this study is to piece together the important development and contributions by efficient market hypothesis, bounded rationality, behavioral finance, neurofi nance, and the recently introduced adaptive market hypothesis. In the process the author will re view the selected literature so that they can be linked together for further consideration and devel opment. When monthly and daily data for S&P 500, DJIA, and NASDAQ indexes were analyzed from 1971 to 2005, the author found long string of positive and significant autocorrelations and great volatility, which were not consistent with the efficient market hypothesis.



RESEARCH METHODOLOGY

• Conceptual Model



• Statement of the Problem

Financial decision-making is often viewed as a rational process, where individuals weigh the costs and benefits of various options to maximize their financial outcomes. However, empirical evidence from psychology, neuroscience, and behavioral economics has shown that emotions play a significant role in shaping financial choices. Emotions such as fear, greed, excitement, stress, and overconfidence can bias decisions, often leading individuals to make suboptimal choices that diverge from purely rational models. These emotional influences can be particularly pronounced in high-stakes financial situations, such as investing, saving for retirement, or managing personal debt, where impulsive decisions can have long-lasting consequences.

• Research Gap:

While there is substantial literature on financial decision-making, behavioral economics, and the role of emotions in financial behavior, there remains a significant gap in understanding how emotions interact with cognitive processes at a neural level, and how these interactions shape financial decisions in real-world contexts. Specifically, neurofinance, as an interdisciplinary field, is still in its early stages and has not fully explored the complex relationship between emotions and financial decisions from a neurobiological perspective. Below are the key research gaps in the field:

- Limited Integration of Neuroscience with Financial Decision-Making Models
- Unclear Mechanisms of Emotion-Cognition Interaction in Financial Decision-Making
- Lack of Real-World Financial Contexts in Neurofinance Research
- Limited Exploration of the Role of Stress and Anxiety in Financial Decision-Making

- Insufficient Research on Emotional Regulation in Financial Decision-Making

• Objectives of the Study

1. To study the Factors Affecting Investment Decision Through Neuro Finance.
2. To study the impact of Investment Biases on Neuro Finance in Telangana Region.

• Hypothesis of the Study

H0: There is no Factors Affecting Investment Decision Through Neuro Finance

H1: There is a Factors Affecting Investment Decision Through Neuro Finance

H0: There is no impact of Investment Biases on Neuro Finance in Telangana Region.

H1: There is no impact of Investment Biases on Neuro Finance in Telangana Region.

• Limitations of the Study

Financial decision-making is often viewed as a rational process, where individuals weigh the costs and benefits of various options to maximize their financial outcomes. However, empirical evidence from psychology, neuroscience, and behavioral economics has shown that emotions play a significant role in shaping financial choices. Emotions such as fear, greed, excitement, stress, and overconfidence can bias decisions, often leading individuals to make suboptimal choices that diverge from purely rational models. These emotional influences can be particularly pronounced in high-stakes financial situations, such as investing, saving for retirement, or managing personal debt, where impulsive decisions can have long-lasting consequences.



ANALYSIS & INTERPRETATION

Data Analysis

Reliability Analysis

Variable Number	Variable	Cronback Alpha	Result
V ₁	Cognitive Biases	0.934	Excellent
V ₂	Emotional Biases	0.804	Good
V ₃	Social Biases	0.957	Excellent
V ₄	Behavioural Biases	0.896	Good
V ₅	Familiarity Biases	0.941	Excellent
V ₆	Mental Accounting	0.903	Good
V ₇	Neuro Finance	0.789	Good
V ₈	Overall	0.956	Excellent

The reliability analysis conducted for the variables reveals a range of Cronbach's Alpha results, indicating varying levels of internal consistency across the constructs. Several variables demonstrate excellent reliability, reflecting a high degree of consistency in the responses and suggesting robust measurement of the underlying constructs. Additionally, some variables exhibit good reliability, which still indicates a strong

level of internal consistency, although slightly less rigorous compared to those classified as excellent.

The overall reliability score is categorized as excellent, emphasizing the cohesiveness and dependability of the combined scale. These findings confirm that the constructs used in the study are well-designed and reliable for further analysis, ensuring the validity of subsequent interpretations and conclusions drawn from the data.

Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.094 ^a	.069	.067	3.49875

The R value of 0.094 indicates a weak positive correlation between the independent and dependent variables. This suggests a slight association but not a strong relationship.

The R Square value of 0.069 indicates that 6.9% of the variation in the dependent variable is explained by the independent variables in the model. While this suggests some explanatory power, the value is relatively low, indicating that most of the variation is influenced by other factors not included in the model.

The Adjusted R Square value of 0.067 accounts for the number of predictors in the model and confirms the limited explanatory power, as it is slightly lower than the R Square value. This

suggests that adding more predictors to this model may not substantially improve its fit.

The Standard Error of the Estimate (SEE) is 3.49875, which reflects the average error in predicting the dependent variable. A smaller SEE relative to the scale of the dependent variable would indicate more precise predictions; however, in this case, the value suggests moderate variability in the model's predictions.

In conclusion, the model shows a weak fit, explaining only a small portion of the variance in the dependent variable. Further improvements, such as including more relevant predictors or refining the existing variables, may be necessary to enhance the model's predictive capability.

Hypothesis Testing

Hypothesis No	Framed Hypothesis	P-Value	Status	Result
H ₄	Cognitive Biases-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted
H ₂	Emotional Biases-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted
H ₃	Social Biases-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted
H ₄	Behavioural Biases-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted
H ₅	Familiarity Biases-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted
H ₆	Mental Accounting-> Neuro Finance	0.00	Significant	H ₀ is rejected , H ₁ is accepted

Results

The analysis reveals a significant relationship between the predictor variable and Neuro Finance. The null hypothesis has

been rejected, and the alternative hypothesis has been accepted, confirming that the predictor has a meaningful impact on Neuro Finance. This finding underscores the critical role of this bias



in shaping financial decision-making behaviors. The results suggest that this cognitive element is a fundamental factor influencing financial reasoning and outcomes. The significant relationship highlights its potential as a key area for further research or practical application in enhancing financial strategies or mitigating adverse impacts. These findings provide empirical support for integrating this variable into models of financial decision-making frameworks, particularly in the domain of Neuro Finance.

The results indicate a significant relationship between the predictor and Neuro Finance. The null hypothesis has been rejected, and the alternative hypothesis accepted, signifying the importance of this bias in financial behavior. This finding highlights the profound influence of emotional factors in shaping financial decisions and outcomes. It emphasizes the psychological underpinnings of Neuro Finance, suggesting that this variable can play a decisive role in explaining variations in financial decision-making patterns. This insight is valuable for both theoretical advancements and practical applications in designing interventions or tools to manage emotional biases effectively within financial contexts.

The analysis demonstrates a significant impact of the predictor on Neuro Finance. The null hypothesis has been rejected, favoring the alternative hypothesis, which affirms the importance of social factors in financial reasoning. This finding underscores the influence of social contexts and interactions on financial decision-making processes. The significance of this relationship suggests that social biases are integral to understanding the dynamics of Neuro Finance. These results contribute to the growing body of evidence that social influences must be considered when studying financial behaviors and developing predictive models or training programs in financial education.

The results highlight a significant relationship between the predictor and Neuro Finance. With the rejection of the null hypothesis and acceptance of the alternative hypothesis, the findings confirm the influence of behavioral factors in financial decision-making. This underscores the role of individual behavioral patterns in shaping Neuro Finance outcomes. Behavioral biases appear to be crucial drivers of financial reasoning, emphasizing their relevance in understanding and predicting financial behaviors. This insight has both academic and practical implications, suggesting a need to address these biases in financial education and advisory services to enhance decision-making efficiency.

The findings establish a significant relationship between the predictor and Neuro Finance. The null hypothesis has been rejected, and the alternative hypothesis accepted, affirming that familiarity plays a pivotal role in financial decision-making. This result highlights the impact of individuals' exposure and comfort with familiar contexts on their financial choices. The significance of this bias suggests its importance in shaping risk perceptions and preferences in financial decision-making processes. These insights contribute to the theoretical understanding of Neuro Finance and have practical implications for designing interventions to address familiarity bias in financial planning and investment strategies.

The analysis confirms a significant relationship between the predictor and Neuro Finance. The null hypothesis has been rejected, favoring the alternative hypothesis, which indicates the importance of mental accounting in financial behavior. This finding highlights how individuals categorize and evaluate financial transactions, influencing their decision-making processes. The significant relationship underscores the psychological basis of Neuro Finance and the role of mental accounting in financial reasoning. This insight is crucial for both researchers and practitioners, emphasizing the need to consider mental accounting tendencies when designing financial models or providing advisory services to improve decision-making outcomes.

Managerial Implications

Managers and financial decision-makers must acknowledge the pervasive influence of cognitive biases on financial behavior. Training programs can be designed to enhance employees' awareness of their cognitive biases and develop critical thinking skills to mitigate their impact. Organizations should integrate decision-support tools, such as predictive analytics or AI-driven systems, to counteract biases and ensure objective decision-making. Recognizing the impact of cognitive biases can lead to improved accuracy in financial projections and strategic decisions.

The significant relationship between emotional biases and Neuro Finance emphasizes the need for emotional intelligence training within organizations. Managers should focus on creating emotionally supportive work environments that reduce stress and enhance employees' ability to make rational financial decisions. Implementing stress management programs and mindfulness training can help employees regulate their emotions, reducing impulsive or irrational decision-making in financial contexts.

The influence of social biases underscores the importance of understanding the role of peer and societal influences in financial decisions. Managers should consider fostering collaborative decision-making processes that leverage diverse perspectives to minimize the effect of social biases. Additionally, creating an inclusive culture where differing viewpoints are valued can reduce the reliance on socially-driven heuristics, leading to more balanced and well-rounded financial decisions.

The findings highlight the critical role of behavioral biases in shaping financial decisions. Managers should implement behavioral finance training to educate employees on common pitfalls and strategies to avoid them. Designing choice architectures, such as nudges or default options, can help steer employees toward optimal financial decisions. Behavioral insights can also guide the development of policies and processes that align employee behaviours with organizational financial goals.

The significance of familiarity biases suggests that managers must consider the tendency of employees to prefer familiar options. Financial strategies should include measures to encourage exploration of new opportunities while addressing



the comfort employees may feel with familiar choices. Providing comprehensive information and risk analysis for unfamiliar options can reduce the perceived uncertainty and encourage more diverse and balanced decision-making.

Mental accounting's impact highlights the need for managers to understand how employees mentally categorize and evaluate financial transactions. Financial literacy programs should address mental accounting tendencies, helping employees recognize and correct misjudgements. Managers can design budgeting tools and financial reporting systems that align with employees' mental accounting practices, ensuring clarity and enhancing decision-making efficiency.

Conclusion: These biases highlight the psychological and behavioral underpinnings that shape financial reasoning and outcomes. The study underscores the need for organizations to integrate targeted interventions, such as financial literacy programs, emotional intelligence training, and decision-support tools, to mitigate the influence of these biases. By addressing these factors, organizations can enhance the quality of financial decisions, foster a more informed and resilient workforce, and achieve greater alignment between individual decision-making behaviours and organizational financial goals. These insights provide a robust framework for bridging theoretical understanding and practical application in managing biases for improved financial performance and strategic success.

Future Scope of Research: The study opens avenues to explore deeper insights into the role of biases in financial decision-making, particularly in diverse cultural and organizational contexts. Future studies could examine the interplay between technological advancements, such as AI and machine learning, and their potential to mitigate biases in financial reasoning. Additionally, longitudinal studies could provide a comprehensive understanding of how biases evolve over time and their cumulative impact on financial outcomes. Expanding the scope to include cross-industry comparisons and exploring the moderating effects of demographic factors, such as age, gender, and professional experience, would further enrich the field of Neuro Finance. These directions could contribute to developing innovative tools and strategies for enhancing decision-making accuracy in increasingly complex financial environments.

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