

**Innovative Practices for Competitive Advantage through
Behavioral Finance**

**Rani Ladha¹
Bindu P Menon²**

The field of behavioral finance itself can be considered an innovation. The two key building blocks of behavioural finance are cognitive psychology and limits to arbitrage. It provides a way to reconcile some of the market and individual anomalies observed under the traditional finance paradigm. Behavioural Finance complements the traditional finance models by incorporating individual biases and psychology. This paper attempts to apply behavioural concepts to the field of investment management. With increased globalization it may be necessary to incorporate individual preferences in product development, offerings and positioning to gain a competitive advantage. While the field of investment management has continuously evolved with several innovations, this paper suggests that application of behavioural concepts is the next stage in that evolution. It is already being applied in several contexts and has a few policy implications.

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***Research, Conference & Publications Office,
IIM Kozhikode, IIMK Campus PO, Kozhikode 673 570, Kerala, India***

Phone: (91)0495 2809238

Email: rcp@iimk.ac.in

¹ Professor of Finance, Indian Institute of Management Kozhikode, IIMK Campus PO, Kozhikode– 673570, email: rani.ladha@iimk.ac.in

² Associate Professor, Farook Institute of Management Studies, Kozhikode