MRS Journal of Accounting and Business Management
Abbriviate Title- MRS J Acco Bus Manag
ISSN *(Online) 3049-1460*
Vol-2, Iss-4(April-2025)

BEHAVIORAL FINANCE: EFFECT of INVESTOR PSYCHOLOGY on MARKET MOVEMENTS

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Article History

Received: 16 / 03/ 2025

Accepted: 29 / 04 / 2025

Published: 02 / 04 / 2025

Abstract: *This article examines the basic concepts of behavioral finance and analyzes the effect of investor psychology on the dynamics of the financial markets. Traditional financial theories assume that investors are rational decision makers and evaluate all information optimally (Fama, 1970). However, the studies conducted since the 1970s have shown that individuals act with systematic cognitive prejudices and deviate from rationality in decision -making processes (Kahneman & Tversky, 1979; Thaler, 1993). At this point, behavioral finance comes into play and combines the disciplines of psychology and economy and modeling investor behaviors in a more realistic way. In this context, the study; Experts the effects of cognitive errors on investment decisions such as excessive trust, herd psychology, framing effect, avoidance of loss and prejudice; He argues that these effects lead to anomalies such as balloons, panic and irrational pricing in the markets. In addition, it is emphasized that behavioral prejudices have a wide range of influence from individual investors to institutional actors and that portfolio management and financial counseling should be taken into consideration. As a result, this study reveals that psychological factors are too important in understanding market behavior and optimizing investment decisions.*

Keywords: *Behavioral Finance, Investor Psychology, Cognitive Prejudices, Market Anomalies, Excessive Trust, Herd Behavior, Avoidance of Loss.*

Cite this article: ERTURK, R., (2025). BEHAVIORAL FINANCE: EFFECT of INVESTOR PSYCHOLOGY on MARKET MOVEMENTS. *MRS Journal of Accounting and Business Management, 2 (4),1-8.*

INTRODUCTION

The fluctuations in financial markets have a complex structure that cannot be explained only by economic indicators or the basic analysis of companies. The frequent observation of situations in which investors do not behave rationally in decision -making processes revealed the deficiencies of traditional financial theories. These theories were built on the assumption that market actors provide full access to information, think rationally and try to maximize their profits (Fama, 1970). However, the researches conducted since the 1980s have shown that investors often act with emotional, intuitive and cognitive prejudices and that these prejudices lead to systematic deviations in the market (Kahneman & Tversky, 1979; Shefrin, 2000).

Behavioral Finance (Behavioral Finance) is an interdisciplinary field that examines the non -rational behaviors of investors by taking part in the intersection of psychology and economic sciences. This approach aims to explain individuals' decision -making processes not only with mathematical models, but also with psychological variables such as emotions, perceptions, learning processes and social effects. Investors act with herd psychology, tendencies to avoid losses, extreme self -confidence or decision -making behaviors based on past experiences may cause the markets to increase or collapse unexpectedly (Barberis & Thaler, 2003).

In recent years, economic crises, speculative balloons and sudden market collapses have once again revealed the great effect of irrational elements in investment decisions. It is seen that even professional portfolio managers, especially in addition to individual investors, are influenced by psychological prejudices from time to time. This may lead to predictability in financial markets, incorrect pricing and increased systemic risks (Shiller, 2015).

This article aims to address the effects of investor psychology on market movements within the framework of behavioral finance theory. In the study, the theoretical foundations of behavioral finance will be examined; Then, cognitive and emotional prejudices in the decision -making processes of investors will be elaborated. Finally, the concrete reflections of these prejudices in financial markets and the role of behavioral finance in practice will be analyzed. In this way, it is aimed to evaluate the investment behaviors in both academic and practical terms with a more holistic approach.

AIM

The main purpose of this study is to examine the effects of investor psychology on financial market movements in a multi -dimensional way within the framework of the behavioral financial approach. In recent years, the rational investor model envisaged by traditional financial theories has been insufficient in explaining real market behavior has become more visible in recent years. In this context, the study aims to reveal the effects of investors' frequently encountered psychological prejudices and emotional reactions in decision -making processes on market pricing and investment behaviors.

In this respect, the special aims of the research can be listed as follows:

- To explain the theoretical framework and development process of behavioral finance,
- To define cognitive prejudice types (eg excessive trust, herd psychology, loss of loss, representation), which are widely observed in investor psychology,
- To analyze how these prejudices contribute to market anomalies, speculative balloons and crises,
- Evaluating its place in practical applications such as investment management, portfolio strategies and financial consultancy
- To discuss how to understand the psychological characteristics of investors can improve the quality of financial decisions and how to contribute to market stability.

In line with these objectives, the study aims to improve strategic suggestions to manage behavioral prejudices by providing better understanding of both individual and corporate investor behaviors. Thus, it is aimed to make theoretical and practical contributions to behavioral finance literature.

METHOD

This study was carried out using the literature screening (compilation) method, one of the qualitative research methods. The literature screening method aims to systematically examine and analyze the current knowledge of a particular subject (Yıldırım & Şimşek, 2016). In this context, the theoretical and empirical researches conducted in the field of behavioral finance were screened and the effects of investor psychology on market movements were evaluated in depth. In the study, both classic and current sources were used; The relationship between behavioral prejudices, psychological factors and investment decisions is discussed in various dimensions.

During the data collection process, academic articles, books, thesis and conference papers published in national and international refereed journals were examined. Especially Journal of Behavioral Finance, Journal of Economic Psychology, The Journal of Finance is focused on the articles in the field. In addition, Daniel Kahneman, Amos Tversky, Richard Thaler, Robert Shiller, Hersh Shefrin and Nicholas Barberis, such as the work of the leading academicians such as the method of methodological reference.

The selection of the data was made according to the thematic categories created for the purposes of the study. These themes include cognitive prejudices (excessive trust, herd behavior, loss of loss, etc.), investor behaviors, market anomalies, speculative balloons and financial crises. Each theme was placed in the theoretical framework in the light of the selected literature and meaningful relationships were tried to be established. In addition, comparative analysis of similar studies in the literature were performed and current developments and research gaps in the field were evaluated.

As a result, this method has provided the opportunity to analyze the effects of investor psychology on financial market behaviors and make valid inferences based on literature. The findings obtained aim to draw attention to the importance of behavioral finance not only in the theoretical level but also in the field of application.

THEORETICAL FOUNDATIONS of BEHAVIORAL FINANCE

Behavioral Finance is an interdisciplinary approach based on the idea that individuals show deviations from rationality in investment decisions and that these deviations affect the market results. Traditional financial theories, especially effective market hypothesis (Efficient Market Hypothesis, EMH), investors, all the information in the rational way, prices always reflect the truth and the market is self -balanced (Fama, 1970). Although this theoretical framework offered a strong model in explaining investor behaviors, events such as many financial crises, balloons and sudden collapse revealed that this approach was limited (Shiller, 2015).

At this point, behavioral finance integrates the concepts of psychology into financial processes by providing an alternative approach to traditional assumptions. In particular, Daniel Kahneman and Amos Tversky's expectation theory (Prospect Theory) explain how individuals evaluate risk perceptions, gains and losses and how they exhibit systematic prejudices in deciding (Kahneman & Tversky, 1979). According to this theory, investors focus on losses rather than earnings and make non -rational decisions to minimize the risk of loss.

The theoretical foundations of behavioral finance are not limited to cognitive psychology, but also include socio-psychological effects and emotional factors. When investors make decisions, they often act with the following cognitive prejudices: excessive trust (overconfence), frameworking effect, representativeness, anchoring and herd behavior. These prejudices cause investors to approach information biased and irrational pricing behaviors (Barberis & Thaler, 2003).

In particular, neurophinance studies, which developed after the 2000s, have strengthened the theoretical basis of behavioral finance. These studies showed which emotional and cognitive centers of investment decisions occur by using brain imaging techniques, thus led to a biological questioning of the rational investor model (Lo, 2005).

Behavioral finance argues that investor behaviors affect markets not only at the individual level but also at collective level; market anomalies, balloons, collapses and irrational pricing offers a strong framework. Thanks to this approach, investors' decision -making processes are analyzed from a more holistic perspective and allow more effective models to be developed at both academic and practical levels.

INVESTOR PSYCHOLOGY and COGNITIVE TRENDS

One of the main claims of behavioral finance is that investors are often under the influence of cognitive and emotional prejudices in decision -making processes. These prejudices cause systematic deviations in investment decisions and irrational movements in market prices. In this section, the most common cognitive tendencies are elaborated.

Excessive trust (Overconfments Bias): An unrealistic confidence in investors' own knowledge, skills and forecasting capabilities. Extremely safe individuals believe that they predict market trends correctly and tend to make more transactions (Barber & Odean, 2001). This usually causes portfolio performance to decrease because investors take unnecessary risks. For example; During the 1999-2000 DOT-COM balloon, many individual investors made serious investments, believing that the stocks of technology companies would rise continuously. Excessive confidence caused the balloon to swell; When the balloon exploded, investors suffered great losses.

Loss Aversion: According to Prospect Theory, people feel more intense loss of the same size rather than a earnings of the same size (Kahneman & Tversky, 1979). This causes investors to act reluctant to close the positions that are in harm; Because they do not want to "realize" their damages. For example; An investor does not want to sell a damaging stock because he will accept the damage with sales. This behavior can pave the way for greater damage.

Herding Behavior: It is a situation where investors imitate the behavior of others rather than their own analysis. Herd behavior is one of the most important reasons for market balloons and collapses (BANENER, 1992). For example; Prior to the 2008 Mortgage crisis, individuals in the United States have purchased intensive housing, believing that housing prices will increase continuously. When this behavior became mass, the prices rose artificially and then the collapse took place.

Representative (RepresentativeEess Heuristic): Investors tend to assume that a company or investment tool that has been successful in the past will be successful in the future. This tendency leads to the ignorance of statistical possibilities (Tversky & Kahneman, 1974). For example; An investor assumes that this increase will continue in the future while investing rapidly in a rapidly rising crypto money in recent months and neglects the risks.

Framing Effect: It is the fact that investors make different decisions depending on how the same information is presented. Information provided in a positive or negative framework may directly affect investor behavior. For example; Although the expression “This investment brings earnings with 90 %probability” and “This investment has a 10 %risk of losing 10 %, investors may approach the first statement warmer.

Anchoring Bias: When making decisions, it usually occurs when they give more importance to the first information they have acquired (a “reference point”). Even if this reference point is often incompatible with current data, investors tend to shape their decisions according to this data. The anchor effect can cause investors to create irrational price expectations despite current economic and financial developments. This reduces price flexibility and can prevent rapid adaptation of markets. For example; An investor has purchased a share for 150 TL. When the price of the share falls to 90 TL, the investor still accepts the purchase price of 150 TL as “right value ve and refuses to sell. However, market conditions have changed and the share no longer does not. This may increase the damage of the investor because the past price serves as a “anchor” instead of a rational assessment of whether the price will return to 150 TL.

Confirmation Bias: The tendency to confirm is a tendency to seek information that supports the current beliefs of individuals and the tendency to value more information. In contrast, they ignore or devalue data that contradicts their beliefs. The tendency to approval prevents investors from making objective analysis, which can lead to false investments and price balloons. This tendency, especially in social media and financial forums, causes investors to create information cycles that feed each other. For example; If an investor believes that a company's stock will rise, he only reads the news that supports this view and follows the analysis. However, it ignores the risks or negative developments related to the company. In this case, the investor can make decisions disconnected from the market facts. For example, investors who are extremely supporters in companies such as Tesla may ignore the risks of the company's valuation.

Recancey Bias to the past: Investors ignore long -term and healthier data by giving extreme importance to their recent events. This prejudice causes short -term movements to be exaggerated. Excessive commitment to the past leads to enlargement of short -term fluctuations in the markets and excessive purchase/sale behavior. This increases volatility and disrupts the healthy functioning of the market. This tendency may cause the investor to perceive normal corrections of the market as “collapse .. For example; An investor, in the last two weeks, sees that gold prices are constantly rising, thinking that this rise will continue and receives a large amount of gold. However, this decision is risky because it ignores the long -term volatility and past performance of gold.

Optimism/Host Prejudice (Home Bias): Instead of investing in international or different sectors, investors tend to invest in local companies or country markets they are familiar with. This behavior may limit the diversification of portfolio. Home Bias causes lack of diversification and market imbalance. The economies of the country become more open to crises, because local investors do not spread risks enough. For example; Instead of investing in technology giants traded on global exchanges, a Turkish investor invests only in local companies in Borsa Istanbul. The lack of information of the investor and the cultural proximity pushes it to a more risky and limited portfolio structure.

Illusory Correlation: to perceive as if there is a relationship between non -related events or data. Investors can interpret random price movements as a meaningful pattern. Such irrational associations can trigger speculative movements and mislead investors. As a result, financial markets become even more playful. For example; Some investors begin to believe that astrological movements affect financial markets when they observe that the full moon time stock markets have fallen. In this case, instead of rational analysis, investment decisions can be made based on unrelated factors.

All of these prejudices directly affect both short and long -term decisions of individual investors and disrupt the effectiveness and stability of the markets. For this reason, the understanding of investor psychology and the realization of these prejudices is of great importance both at the individual and system level. These cognitive prejudices are not limited to individual investors; It can also affect professionals such as portfolio managers and financial analysts. This leads to the systematicization of fluctuations at the market level and an increase in unpredictable movements (Shefrin, 2000).

EFFECT of INVESTOR BEHAVIOR on MARKET MOVEMENTS

Although investor behaviors are shaped at the individual level, they can have strong enough to affect market pricing, fluctuations and even crises at macro level. Cognitive prejudices and emotional reactions lead to rational investment decisions; These decisions may lead to collective balloons, collapses and market anomalies in the market (Shiller, 2015; Barberis & Thaler, 2003).

Balloons (Speculative Bubbles): Financial balloons are the case of exceeding the real (internal) value of an asset price. These balloons are often fed by tendencies such as herd behavior, excessive trust and representation. Investors start to enter the market without rational analysis, as the rapid increases in asset prices are sustainable. This causes prices to rise further with the increase in demand. For example; The Dot-Com the balloon in 2000 is a striking example of this behavior. While the values of technology and internet companies increased rapidly, investors flocked to these shares with the belief that this trend will continue. But most of the companies were not profitable; When the balloon exploded, there were major losses. In this process, investors acted with the influence of general weather and media in the market rather than real performance indicators.

Financial crises and collapse: irrational behaviors caused by investor psychology not only form balloons; It also increases the severity of crises. Panic sales, sudden retreats, "herd psychology" escapes trigger collapse. In particular, avoidance of loss, excessive commitment to the past, and tendency to approval may cause investors to mass output from the market. For example; 2008 The global financial crisis shows how behavioral prejudices contribute to the crisis environment. Mortgage loans given to low -income people in the US continued to be “profitable” by investors. The positive perception in the market was supported with a prejudice of representative office. However, when the balloon exploded, investors suddenly tried to close their positions. These panic sales deepened the crisis on a global scale.

- Market Anomalies: Behavioral tendencies can lead to the formation of market anomalies in which classical financial theories are difficult to explain. Among them:
- Day Day Impact: Mondays have low return rates and high on Fridays,
- JANUARY EFFECT: Return increase in small company shares in January,

Excessive response and inverse reaction anomalies: Excessive reaction of investors to bad news and then correcting the market.

These anomalies are an indication that investors make systematically non -rational decisions. When investors move with tendencies such as excessive commitment to past prices, emotional decision -making and representation, such patterns emerge regularly in the market (De Bondt & Thaler, 1985).

Increased volatility: Emotional decision -making processes of investors increase market volatility (volatility). For example, with the effect of anchor, investors can stay stuck at certain prices or create sudden purchase/sale waves with herd psychology. This causes prices to become unstable. For example; In crypto currency markets, for example during the rapid exit and decrease in Bitcoin, it is seen that investors are caught in herd psychology under social media influence, and sudden reactions with tendencies such as avoidance or commitment to the past. This may cause the market to depreciate by 10-20 %in a short time.

Effects on long -term returns and portfolio management: transactions of investors with psychological prejudices may adversely affect not only short -term, but also long -term portfolio performances. Excessive confidence, unnecessary frequency of processing; The tendency of approval, lack of diversification; Avoiding the loss causes inability to change positions on time. For example; In an empirical study by Barber & Odean (2000), it was found that excessive transactions (with high-level trust-trends) obtained 5-7 %lower returns than less trading investors. This reveals that behavioral prejudices have concrete financial consequences.

As a result, although investor behaviors may seem individual irrational, they shape the market collectively. With the effect of these behaviors, market pricing may deteriorate, financial stability may risk, and crises may become more devastating. Therefore, not only economic data, but also psychological factors should be considered in the functioning of financial systems.

THE ROLE of BEHAVIORAL FINANCE in PRACTICE

Behavioral Finance Theory offers an important alternative to the traditional financial approach by aiming to understand the effects of investors' emotional and cognitive tendencies on financial decisions. This theory not only analyzes investor psychology; It also allows effective solutions to be developed in application areas such as portfolio management, risk strategies and financial consultancy (Barberis & Thaler, 2003).

Behavioral Approach in Portfolio Management: Traditional portfolio theory assumes that investors will optimize risk-infamous optimization by acting rationally (Markowitz, 1952). However, behavioral finance argues that investors are trying to manage this process with various psychological prejudices. In particular, over -confidence prejudice can cause investors to create their portfolios in an unbalanced way. Such investors can neglect the diversification of portfolio and increase the risk level without realizing it (Barber & Odean, 2000). For example; An investor's confidence in a sector or share in which he earned earlier can lead to overloading into the same asset. This behavior is a result of the psychological tendency of the investor (Shefrin, 2000).

Psychological Factors in Risk Management: Risk management strategies are not only related to economic calculations, but also to the psychological origins of the investor's perception of risk. Behavioral Finance has shown that the tendency of Loss Aversion strongly affects investor behavior (Kahneman & Tversky, 1979). Even if investors often have damaged in a position, they avoid realizing this loss. Instead, they experience greater damage by holding their positions in damage. For example; The fact that an investor avoids selling a damaged share is not only emotional commitment or stubbornness; The loss is related to “fear of realizing (Shiller, 2015).

Behavioral Approach in Financial Counseling: Understanding the psychology of investor for financial consultants increases the effectiveness of their suggestions. Behavioral Finance shows that investors are frequently exposed to prejudices such as herd psychology, tendency to approval and the effect of framing in decision -making processes (Barberis & Thaler, 2003). For example; When the investor sees that an asset has become popular in society, he tends to turn to that being without rational analysis. The advisor should recognize this tendency and direct the investor not to emotional, but to data -based decision -making (Shefrin, 2000).

The Place of Behavioral Strategies in Practice: Behavioral Finance stands out with the following strategies in practice: To reduce the effect of cognitive prejudices in portfolio diversification, to create a risk management plan according to the psychological profile of the investor, to ensure that the investor recognizes his emotional state in the decision -making process, to encourage decisions to make decisions with statistical data instead of emotional reactions (Lo, 2005).

These approaches help investors not only create more conscious portfolios, but also to give healthier reactions to the market. As a result, the methods offered by behavioral finance play an important role in improving the decision processes of both individual investors and financial professionals. Recognition and management of psychological prejudices also contributes to the formation of a more stable market structure. The role of behavioral finance in practice is critical for both investor and financial service providers. The fact that investment decisions are based not only on rational analysis but also on the psychological tendencies of individuals necessitates the restructuring of investment strategies (Shefrin, 2000). At this point, portfolio managers make a portfolio diversification of investors' emotional tendencies, shaping risk management plans according to behavioral profiles and guiding the investor's decision process is decisive in increasing financial success. Financial counseling services should also be redefined in this context. It will facilitate the fact that consultants have knowledge of investor psychology and to direct their clients according to emotional reactions, cognitive prejudices and past investment experiences not only in the light of financial data (Lo, 2005). In addition, thanks to behavioral finance principles, investors' capacity to recognize their own mistakes increases and their tendency to make more conscious and strategic decisions is strengthened. In this context, behavioral finance is not only a theoretical perspective in the investment world, but also an application tool that improves investment behaviors, reduces the effect of crises and optimizes financial planning. In today's complex and uncertain financial environment, the success of investment decisions is now based not only on knowledge, but also on psychological awareness.

NEUROPHINANCE and TECHNOLOGY SUPPORT INVESTMENT BEHAVIOR ANALYSIS

The traditional behavioral financial theory revealed that investors move away from being rational in decision -making processes and act with cognitive prejudices. In recent years, however, important steps have been taken not only by behavioral observations, but also on biological and neurophysiological basis. The discipline of neurophinance (neurofinance), which emerged as a result of these developments, aims to examine what kind of cognitive and emotional processes are effective at the level of brain levels during individuals' investment decisions (Lo, 2005).

Neurophinance analyzes decision -making processes not only by external observation, but also using brain imaging techniques (eg FMRI - Functional Magnetic Resonance Imaging). In this way, the nervous response of behavioral prejudices such as risk perceptions of investors, loss of loss and excessive confidence reactions can be revealed more clearly in the brain (Peterson, 2007). For example, when an investor encountered loss, intensive activation was observed in the amygdala region of the brain, while reward centers such as Ventral Striatum were active in case of expectation of earnings.

Thanks to technological developments, investor behaviors can be monitored not only in the laboratory, but also through real -time data analytics. Advanced algorithms can determine their possible behavioral prejudices by analyzing investors' process history, frequency of decision, timing patterns and even online behavior (Lo & Repin, 2002). These technological analyzes allow the development of behavioral data -based decision support systems for both investment platforms and financial consultants.

Neurophinance also structured the investor profile more extensively, considering the individual differences that are difficult to explain in traditional behavioral financial theories. For example, the fact that some individuals' avoidance tendencies are more pronounced at the neurochemical level can lead to their more cautious in their investment decisions. Such findings increase the capacity to provide personalized solutions in financial planning.

As a result, neurophinance makes it possible to understand investor behaviors not only superficial, but biological, emotional and technologically holistic. The integration of behavioral financial theory with neuroscience and data science supports the more accurate modeled financial decision -making processes and the optimization of investment strategies unique to the individual.

THE PLACE of BEHAVIORAL FINANCE in CRYPTO MONEY MARKETS

Unlike traditional financial systems, crypto money markets offer a highly open environment to the effects of investor psychology due to their centralized structures, high volatility levels and regulation features. In particular, sudden price increases and decreases in 2017 and 2021 have shown that the price movements in crypto assets depend not only on economic foundations but also the behavioral prejudices of investors (Corbet et al., 2018).

Many cognitive prejudices defined in behavioral finance literature are intensely observed in crypto currency investors. In particular, FOMO (Fear of Missing Out), that is, the fear of missing the opportunity causes investors to make sudden and irrational decisions. This tendency leads to a hasty and unimportant position with the expectation that a crypto asset on social media or news sources will rise further (Arias-Oliva et al., 2019).

In addition, herd behavior and approval prejudice in crypto markets strongly affect investor decisions. Investors imitates the investment decisions of the individuals around them and puts their own analysis back to the background, causing the balloons to swell faster. The mass rise of crypto beings based on a humorous basis such as Dogecoin in 2021 is the most concrete reflection of these behavioral patterns (Li et al., 2021).

Excessive confidence arises, especially when inexperienced investors attribute more value to their market predictions, which causes the investor to take a high amount of position without sufficient analyzing the risks. In addition, avoidance and anchor effect causes investors to experience greater damage by keeping the position in a decrease in an asset for a long time (Baur & Dimpfl, 2021).

The fact that crypto markets are open 24/7 increases the likelihood of emotional decision -making. The limited process hours in traditional markets allow the investor to control their emotional reactions; In crypto markets, this control mechanism weakens and investment decisions are mostly shaped with instant impulses.

As a result, crypto currency markets offer an investment environment in which behavioral financial principles can be observed intensively. Volatility and non -regulation of the market structure causes investors' psychological tendencies to lead to more pronounced effects on price movements. In this context, it is very important that crypto currency investors increase their cognitive awareness and develop more resistant strategies against behavioral prejudices.

THE RELATIONSHIP BETWEEN BEHAVIORAL PREJUDICES with CULTURAL DIFFERENCES

Behavioral financial theories argue that investors show systematic cognitive prejudices in decision -making processes, assuming that these prejudices manifest in the same way universally. However, recent studies have shown that this assumption may be limited and that cultural factors have a decisive effect on investor behaviors (Rieger et al., 2011). In this context, the quality, frequency and violence of behavioral prejudices are closely related to the individual's cultural infrastructure, socioeconomic environment and value systems.

When Hofstese is evaluated within the framework of the theory of Cultural Dimensions, especially individualism/communityism, the level of uncertainty and risk perception stands out as the main cultural components that direct investor behaviors (Hofstes, 2001). For example, in individualist cultures (eg US, UK), investors tend to act more independently and exhibit excessive confidence; Herd behavior in community cultures (eg China, Türkiye) is seen as a more dominant prejudice (Wang et al., 2021).

Cultural differences are also effective at the level of loss of loss. In countries such as Japan, in countries with high levels of avoidance, investors have been observed to be stronger than other countries (Rieger et al., 2015). This shows that investors' behavioral profiles are not only psychological, but also cultural reflection.

Financial socialization processes also vary depending on culture. Factors such as family structure, education system, media and religious beliefs shape the individual's investor identity; It determines which emotional or cognitive process will be dominant in investment decisions. For example, the meaning of financial success in some societies makes investment decisions more aggressive; In others, modest savings and safe investment instruments are more common (Statman, 2008).

As a result, even though behavioral prejudices are part of human nature, their effect on the way of emergence, violence and investment decisions varies according to cultural context. For this reason, behavioral financial literature needs more interaction with cultural psychology and investment strategies should be shaped on the basis of cultural awareness.

INVESTOR TRAINING from BEHAVIORAL FINANCE PERSPECTIVE

The main findings of behavioral finance reveal that investors can make systematic mistakes in decision -making processes. The vast majority of these errors are due to psychological factors such as investors have limited cognitive capacity, deciding with emotional reactions and excessive commitment to past experiences (Kahneman & Tversky, 1979). In this context, it is clear that investors should be equipped not only by technical knowledge, but also by behavioral awareness. At this point, the structured investor training has become an important need from the behavioral finance perspective.

Traditional financial education is often focused on technical elements such as mathematical modeling, financial analysis techniques and portfolio optimization. However, most of the financial decisions of individuals are shaped by their emotional states and cognitive prejudices. For this reason, investor training should not be limited to technical knowledge, and also includes dimensions such as awareness of behavioral prejudices, emotional intelligence development and cognitive flexibility (Statman, 2008).

Research shows that investors often act with cognitive tendencies such as avoidance of loss, herd behavior, anchor effect and excessive trust. The fact that these prejudices are not known causes individuals to make repeated mistakes in financial markets and to suffer serious economic losses (Shefrin, 2000). In this context, investor education needs to be redesigned with a behavioral finance -based approach.

The training content can be configured to cover the following dimensions:

- Introduction of Cognitive Prejudices and Effects on Investment Decisions
- Psychological Awareness Development Exercises
- Strategies of Recognizing and Managing Emotional Reactions
- Real case analysis and simulation applications
- Decision -making tests and behavioral finance -based risk profiling tools

Such training programs are not only for individual investors; It can also be valuable for a wide audience, such as financial consultants, bankers, fund managers and students. Especially in developing countries, while the investor base is increasingly expanding, it is strategic in terms of both individual welfare and economic stability to ensure that these individuals make conscious financial decisions (Arias-Oliva et al., 2019).

As a result, behavioral finance -based investor training can enable individuals to realize their own prejudices, improve rational decision -making skills and gain financial resistance in the long run. This approach offers a permanent solution for healthier processing of the financial system and moving more consciously by investors.

RESULTS and RECOMMENDATIONS

This study examined how behavioral finance shaped the relationship between investor psychology and financial markets. While traditional financial theories accept investors as individuals who can make rational, information -based decisions, behavioral finance opposed this approach, argues that investors often decide in line with cognitive prejudices, emotional illusions and psychological tendencies. These psychological factors deeply affect market movements and pricing while directing investor behaviors.

The main prejudices discussed in the study - Evil trust, herd behavior, avoidance of loss, representation and anchor effect - play an important role in the formation of price balloons, collapses and market anomalies in the host markets (Shiller, 2015; Barberis & Thaler, 2003). When investors move with these prejudices, unwanted consequences such as irrational pricing, speculative balloons and sudden crises in the markets may occur.

The theoretical models and practices offered by behavioral finance direct not only at the academic level, but also in the practical field, investors and financial advisors to make more conscious and strategic decisions. This provides financial counseling services that are compatible with healthier portfolio management, risk management strategies and investor psychology. In this context, the more considering psychological factors in making financial decisions can encourage market stability and sustainable financial growth.

Recommendations:

Investor Education and Psychological Awareness: It is recommended to add behavioral financial modules to financial literacy programs in order to recognize psychological tendencies and cognitive prejudices. Investors should learn how psychological factors such as excessive trust, avoidance of loss and herd psychology shape investment decisions. Such trainings can enable investors to make more conscious and rational decisions.

Integration of behavioral finance in financial counseling: Financial consultants should consider not only numerical data, but also the psychological profiles of their clients. The use of psychological evaluation tests and cognitive prejudice analysis in consultancy services will allow more effective and personalized strategies to develop. In addition, consultants should be able to direct investors not only financial, but also emotionally and psychologically.

Psychological profile -based strategies in portfolio management: Personalized approaches based on the psychological tendencies of investors should be adopted in portfolio diversification and risk management strategies. Investors can be directed to create more balanced portfolios against tendencies such as avoidance or overflowing. These strategies can help investors make long -term and sustainable investments.

Deepening of Academic Studies and Expanding of Application Areas: Testing the basic principles of behavioral finance with more empirical research and experimental studies will help to fill the theoretical gaps in this field. In addition, studies should be carried out on investor behaviors and decision -making processes at brain level by focusing on new research areas such as Neurofinance. In this way, investors' decision -making processes may be more in depth and healthier pricing may occur in the market.

Financial regulation and policies: It is important to take into account psychological factors in market regulations by using the findings of behavioral finance. In particular, policy measures to protect investors from harmful behaviors such as excessive risks and panic sales should be developed. These measures can help the financial system to function more safely while maintaining market stability.

As a result, behavioral finance not only helps us to understand the causes of rationality and irrational behaviors in financial markets, but also allows investors to make more conscious, healthy and sustainable decisions. This approach, which is a strong tool in both academic and practical fields, plays an important role in optimizing financial decisions and ensuring market stability.

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