

Financial Crises in the Context of Behavioral Finance

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Abstract : Financial crises become a key impediment towards the development of countries especially in emerging economies. Based on standard finance, many researchers investigated the financial crises in different countries in order to find the underlying reason regarding occurrence these event; however they were unable to provide it. In this essence behavioral finance may be helpful in providing answers to some queries regarding occurrence and prevention of financial crises. In this paper, we explore the some psychological factors comprises of our inspiration, emotion, cognition and culture along with their reflection companies, financial markets and governments that present some supportive arguments. Moreover, we compared the views of Keynes and Minsky in order to validate the underling justification towards occurrence of financial crises and their prevention in future. This study helps the practitioners and policy makers through providing valuable recommendation in order to protect the economies.

Keywords : financial crises, behavioral finance, financial markets, emerging economies

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