

The impact of behavioral factors on corporate financial decisions and their link with aggregated macroeconomic data

One of the most significant changes in the finance theory, which could be observed over the last years, was an increasing role of behavioral finance. Behavioral finance highly relies on psychology, incorporating selected psychological findings to the study of irrational investor behaviour (see, susceptibility to psychological errors in decision making - so called behavioral inclinations) and the research on the stock market on the aggregate level. However, many areas in behavioral finance are still significantly understudied and require further investigation. One of these areas is behavioral corporate finance. Behavioral corporate finance, while being a new sub-discipline in behavioral finance theory, explores susceptibility to behavioral inclinations also among also managers in a company which, in turn, impacts negatively the functioning of this company.

Economic modelling is one of the most important tools to simulate various economic phenomena on the market. The newest trend in economic modelling is so called agent-based modelling, which simulates unexpected phenomena in the macro-economy, which result from behaviours of particular economic agents on the micro level.

The first aim of this research project is to examine whether corporate managers of companies listed at the main market of the Warsaw Stock Exchange are susceptible to selected behavioral inclinations and how these behavioral inclinations influence selected aspects of their managerial practice devoted to financial decisions. The second aim of this project is to build a an agent-based model, based on the observation of a real corporate financial decision making mentioned in the first aim of this study, which could examine whether irrational managerial practices in the area of financial decisions, which stem from susceptibility to behavioral inclinations, impact on selected macroeconomic indicators in Poland, such as investment, employment and growth.

This project will be conducted in cooperation between the Warsaw School of Economics and the Kingston University in London, which may increase its international impact and promote the development of inter-university cooperation. In particular, it may result in mutual international publications and new research proposals in the near future.