

ФІНАНСИ, БАНКІВСЬКА СПРАВА ТА СТРАХУВАННЯ

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DOI: <https://doi.org/10.32782/CMI/D2026-18-8>**Davydenko Nadiia**Doctor of Economics, Professor,
Dean of the Faculty of Finance and Digital Technologies,
State Tax University
ORCID: <https://orcid.org/0000-0001-7469-5536>**Kliuchka Olha**Candidate of Economics, Associate Professor,
Assistant Professor at the Department of Financial Markets and Technologies,
State Tax University
ORCID ID: <https://orcid.org/0000-0003-3903-7487>**Kushnir Oleksandr**Researcher Assistant,
Science and Research Institute of Military Intelligence
ORCID: <https://orcid.org/0009-0005-4378-6298>

FINANCIAL PSYCHOLOGY AND BEHAVIOURAL FINANCE IN THE CONTEXT OF THEIR INTERRELATIONSHIPS AND DIFFERENCES

This article examines the theoretical foundations of financial psychology and behavioural finance in the context of their interrelationships and differences. It analyses academic approaches to the interpretation of behavioural finance, which have emerged in response to the limitations of classical economic theories and focus on the study of cognitive biases and deviations from rational behaviour. The structure of financial behaviour, which includes cognitive, affective, motivational and volitional components, is characterised, and the influence of internal and external factors on financial decision-making is identified. A comparison of financial psychology and behavioural finance has been carried out based on key criteria, which has revealed their conceptual differences and common features. It has been established that financial psychology has a broader interdisciplinary nature, whereas behavioural finance focuses on the analysis of specific models of economic behaviour.

Keywords: behavioural finance, psychology of finance, financial behaviour, financial decision-making, financial system, financial strategy.

Давиденко Н.М., Ключка О.В.

Державний податковий університет

Кушнір О.О.

Науково-дослідний інститут воєнної розвідки

ПСИХОЛОГІЯ ФІНАНСІВ І ПОВЕДІНКОВІ ФІНАНСИ У КОНТЕКСТІ ВЗАЄМОЗВ'ЯЗКУ ТА ВІДМІННОСТЕЙ

У статті досліджено теоретичні засади психології фінансів і поведінкових фінансів у контексті їх взаємозв'язку та відмінностей. Актуальність теми зумовлена зростанням ролі психологічних чинників у прийнятті фінансових рішень в умовах ускладнення економічного середовища та підвищення рівня невизначеності. Обґрунтовано доцільність застосування міждисциплінарних підходів у фінансовій науці, що забезпечує більш глибоке розуміння механізмів фінансової поведінки. Проаналізовано наукові підходи до трактування поведінкових фінансів, які сформувалися як відповідь на обмеження класичних економічних теорій і орієнтовані на дослідження когнітивних упереджень та відхилень від раціональної поведінки. Водночас розкрито зміст психології фінансів як напряму, що досліджує глибинні психічні механізми формування фінансових установок, мотивацій і рішень. Охарактеризовано структуру фінансової поведінки, яка включає когнітивний, афективний, мотиваційний і вольовий компоненти, та визначено вплив внутрішніх і зовнішніх чинників на прийняття фінансових рішень. Доведено, що фінансова поведінка формується під впливом як індивідуальних психологічних характеристик, так і інформаційного та соціального середовища. Здійснено порівняння психології фінансів і поведінкових фінансів за основними критеріями, що дозволило виявити їх концептуальні відмінності та спільні риси. Встановлено, що психологія фінансів має більш широкий міждисциплінарний характер, тоді як поведінкові фінанси зосереджені на аналізі конкретних моделей економічної поведінки. Обґрунтовано доцільність інтеграції цих підходів для формування комплексного бачення фінансових процесів, що особливо важливо в умовах зростання невизначеності та ускладнення економічного середовища. Результати дослідження сприяють поглибленню наукових уявлень про фінансову поведінку та можуть бути використані при розробці ефективних фінансових стратегій і управлінських рішень.

Ключові слова: поведінкові фінанси, психологія фінансів, фінансова поведінка, прийняття фінансових рішень, фінансова система, фінансова стратегія.

Statement of the problem. The development of modern financial science is accompanied by an expansion of research approaches to studying the nature of financial phenomena and the mechanisms of financial decision-making. Alongside traditional economic concepts, interdisciplinary fields are gaining increasing importance, as they enable a deeper explanation of the logic behind the financial behaviour of economic agents. Of particular note among these are sociological and psychological approaches, the application of which allows for a better understanding of the factors influencing the financial actions of individuals, households, investors and professional market participant.

For a long time, behavioural finance has been at the centre of academic attention, having emerged as a field of research into deviations in economic behaviour from rational choice models. Within this approach, explanations for financial decisions were linked to the influence of the social environment, cognitive biases, emotional reactions and individual differences in risk perception [11]. Such a scientific toolkit significantly expanded the possibilities for analysing financial processes and allowed a move away from the simplistic notion of the complete rationality of economic agents [9].

At the same time, the current stage of development in financial science is marked by a growing interest in the psychology of finance, which focuses not only on behavioural manifestations but also on the deeper psychological mechanisms underlying the formation of financial attitudes, motives, reactions and decision-making patterns. This is precisely why there is a growing need to clarify the relationship between the psychology of finance and behavioural finance, to identify their common features and differences, and to define the scope of application of each of these approaches in financial research.

The relevance of this issue is heightened by the fact that behavioural finance already has a well-established theoretical foundation and a substantial body of research, whereas the psychology of finance is only now taking on a clearer conceptual framework as an independent field of scientific inquiry. In this regard, there is a need to systematise scientific understanding of these two fields, to distinguish them conceptually, and to define their roles in explaining contemporary financial processes.

Analysis of recent research and publications. The theoretical foundations of behavioural finance were established primarily in the works of A. Tversky and D. Kahneman, who investigated the nature of cognitive biases and their impact on the process of financial decision-making. In particular, D. Kahneman substantiated the role of two types of thinking – intuitive and analytical – in decision-making in the financial sphere [5]. Subsequent research also focused on the application of nudge theory in the corporate environment [6]. A. Sharma and A. Kumar, in turn, summarised the main trends in the development of behavioural finance and demonstrated their significance for managerial decision-making [7].

Behavioural finance also occupies a prominent place in the domestic academic discourse. For instance, T. Povod regards it as a response to the limitations of classical financial theories [11]. The content of behavioural finance and its significance in the

decision-making process are discussed in the works of V. Kharabarova, R. Hreshko and O. Tretyakova [14]. In their textbook, P. Nikiforov and M. Marich systematise the theoretical foundations of behavioural finance and outline areas for its practical application in management [10]. The historical aspects of the development of this field, its psychological foundations, and its influence on the formulation of political and managerial decisions are analysed in the works of P. Illiashenko [3], who emphasises the importance of intellectual diversity in approaches to improving the quality of decisions. At the same time, most researchers agree that the experimental method plays a key role in the study of behavioural finance, as it allows for the direct observation, control and variation of variables [12].

Alongside the development of behavioural finance, the field of financial psychology is becoming increasingly distinct within the academic landscape. Its scope is associated with the study of how human thought and behaviour shape individual decision-making patterns regarding spending, saving and investing. In this context, it is noted that, from an individual perspective, financial psychology encompasses practices of managing one's own financial life and draws heavily on principles from developmental, social, cognitive and consumer psychology [4].

The distinction between these academic fields is highlighted by the position of Bradley T. Klontz and Edward J. Horvitz, who define the psychology of finance as 'behavioural finance 2.0', emphasising its distinctiveness. The authors emphasise that behavioural finance emerged at the intersection of finance and cognitive psychology, and its significance lies in explaining common cognitive biases, errors in thinking and their impact on financial decisions [1].

Thus, an analysis of academic publications indicates that behavioural finance already has a well-established theoretical foundation, whereas the psychology of finance is still in its infancy. This is precisely why equating these concepts is not sufficiently justified, as there are noticeable differences even in the way their essence is interpreted. This highlights the need to further identify the common features and differences between the psychology of finance and behavioural finance as important areas of modern financial science.

Formation of the objectives of the article (task statement). The purpose of this article is to summarise theoretical approaches to defining the nature of financial psychology and behavioural finance, to substantiate their interrelationship, and to identify key differences between them based on an analysis of the financial behaviour of economic agents.

Summary of the main research material. The current development of financial science is accompanied by a deepening of interdisciplinary links, which necessitates the consideration of psychological aspects in the study of financial phenomena. This is because finance, as an economic category, manifests itself not only through objective processes of resource allocation and reallocation, but also through the behavioural responses of the agents making financial decisions [3].

In this context, financial psychology has emerged as an academic discipline that explores the relationship between financial processes and an individual's

psychological characteristics. Its subject matter is financial behaviour, which is determined by a combination of internal psychological states, motivational attitudes and individual characteristics of how economic reality is perceived. This approach allows financial decisions to be viewed not merely as the result of rational choice, but as a complex process shaped by cognitive, emotional and motivational factors.

An important component of financial psychology is the analysis of the structure of financial behaviour, which includes cognitive, affective, motivational and volitional components. The cognitive component is linked to the processes of perceiving, processing and interpreting financial information; the affective component to emotional reactions to financial events; the motivational component to the needs and interests that drive economic activity; and the volitional component to the ability to implement decisions. It is the interaction of these components that determines the nature of an individual's financial behaviour.

Financial psychology also takes into account the influence of external factors on the behaviour of economic agents, in particular the information environment, social norms and communicative influences. For example, the proliferation of advertising can create new needs, alter consumption patterns and influence financial decision-making, increasing psychological stress and complicating the choice between alternatives. This indicates that financial behaviour is shaped not only by an individual's internal characteristics but also by external stimuli.

In parallel with the development of the psychology of finance, another important field has emerged – behavioural finance – which focuses on studying deviations in financial behaviour from rational choice models. Within this approach, key attention is paid to cognitive biases, thinking errors and bounded rationality, which influence the process of financial decision-making [13].

Unlike financial psychology, which is more broadly interdisciplinary in nature and explores the underlying psychological mechanisms shaping behaviour, behavioural finance focuses primarily on explaining specific patterns of economic behaviour and their deviations from theoretical expectations. Thus, both fields study the same area – financial behaviour – but approach its analysis from different perspectives.

In view of this, the psychology of finance and behavioural finance should be regarded as interrelated but not identical fields of scientific inquiry. Their integration allows for a more comprehensive investigation of the nature of financial decisions, combining the analysis of internal psychological processes with the study of behavioural manifestations in the financial sphere.

Despite sharing a common subject of study related to the financial behaviour of individuals, financial psychology and behavioural finance have developed as relatively independent fields of scientific inquiry. Their development stems from a desire to explain the nature of financial decisions in greater depth; however, the research focus within each approach differs.

Behavioural finance emerged as a response to the limitations of classical economic theories, which assumed that economic agents were entirely rational. The main focus of this field is on identifying cognitive biases, systematic errors in thinking, and deviations from the rational model of behaviour [14]. In turn, the psychology of finance has a broader research focus and is oriented towards the study of the internal mental processes that shape financial decisions, including motivational, emotional and behavioural aspects.

The differences between these fields are also evident in their approaches to the analysis of financial behaviour, research methods and levels of generalisation. Whilst behavioural finance is predominantly focused on empirical research and experimental analysis of behaviour, financial psychology examines financial phenomena within the context of broader psychological patterns.

To distinguish these approaches more clearly, it is useful to summarise their key characteristics (Table 1).

This comparison leads to the conclusion that financial psychology and behavioural finance are not interchangeable, although they share a common research foundation. The difference between them lies primarily in the depth of analysis and theoretical focus: financial psychology is geared towards studying the internal mechanisms shaping behaviour, whereas behavioural finance focuses on identifying the external manifestations and patterns of this behaviour in the financial sphere.

At the same time, combining the approaches of these two fields opens up opportunities for a more comprehensive understanding of financial processes, which is particularly

Table 1

A comparative analysis of financial psychology and behavioural finance

Criterion	The Psychology of finance	Behavioural finance
Academic status	It is emerging as an independent interdisciplinary field	An established field of study within the discipline of finance
Subject of the study	Mental processes and states that influence financial behaviour	Deviations in financial behaviour from the rational model
The main focus	Motivations, emotions, attitudes, psychological mechanisms	Cognitive biases, cognitive errors, bounded rationality
Level of analysis	Individual and interdisciplinary	Primarily individual and market-based
Methodology	A comprehensive psychological approach	Experimental and empirical studies
Research objective	An explanation of the underlying causes of financial behaviour	Identifying systematic deviations in decision-making
Practical significance	Developing effective models of financial behaviour	Improving the quality of financial decisions by taking biases into account

Source: compiled by the authors based on [3, 8, 10]

important given the increasing complexity of the economic environment and the growing role of the human factor in financial decision-making.

Despite conceptual differences, financial psychology and behavioural finance share a common research foundation, allowing them to be viewed as complementary branches of modern financial science. Both approaches aim to explain the financial behaviour of agents and depart from the assumption of absolute rationality among economic agents.

First and foremost, they share a focus on the role of the human factor in financial processes. Both financial psychology and behavioural finance recognise that financial decisions are shaped not only by economic factors but also by psychological ones, among which emotions, experience, expectations and individual differences in information processing play a significant role.

Another point of convergence lies in the study of financial behaviour at the individual level. In both fields, the focus is on decision-making mechanisms, particularly in the areas of consumption, saving and investment. This allows for a deeper understanding of the reasons behind deviations from optimal financial strategies and the development of approaches to correcting them.

A commonality can also be seen in the methodological aspect, as both fields utilise the tools of psychological science to analyse financial processes. This involves the use of observation, experimentation, behavioural modelling, as well as the analysis of motivational and cognitive factors [12].

Furthermore, both approaches have significant practical implications, as their findings are applied in the fields of financial management, investment, marketing and the formulation of financial policy. Taking psychological factors

into account helps to improve the effectiveness of financial decisions, reduce risks and ensure a more rational use of resources.

In view of the above, it is appropriate to summarise the points of contact between financial psychology and behavioural finance (Fig. 1).

A synthesis of the points presented in the figure leads to the conclusion that financial psychology and behavioural finance share a common research foundation, centred on the study of the financial behaviour of economic agents. At the same time, their difference lies in the depth and focus of the analysis: whilst financial psychology is oriented towards the study of the internal psychological mechanisms underlying financial decision-making, behavioural finance focuses on the external manifestations of this behaviour and its deviations from rational models.

Conclusions. The study found that the current development of financial science is characterised by the growing importance of interdisciplinary approaches, amongst which financial psychology and behavioural finance are of particular significance. It has been demonstrated that both fields aim to explain financial behaviour, yet differ in the depth of their analysis and theoretical focus.

It is argued that the psychology of finance focuses on the study of the internal psychological mechanisms underlying financial decision-making, including cognitive, emotional, motivational and volitional components. At the same time, behavioural finance is geared towards identifying deviations in financial behaviour from rational models and analysing the cognitive biases that influence decision-making.

Although there are differences, these approaches have been found to share a common research foundation, which lies in the recognition of the bounded rationality of economic agents and the significance of psychological

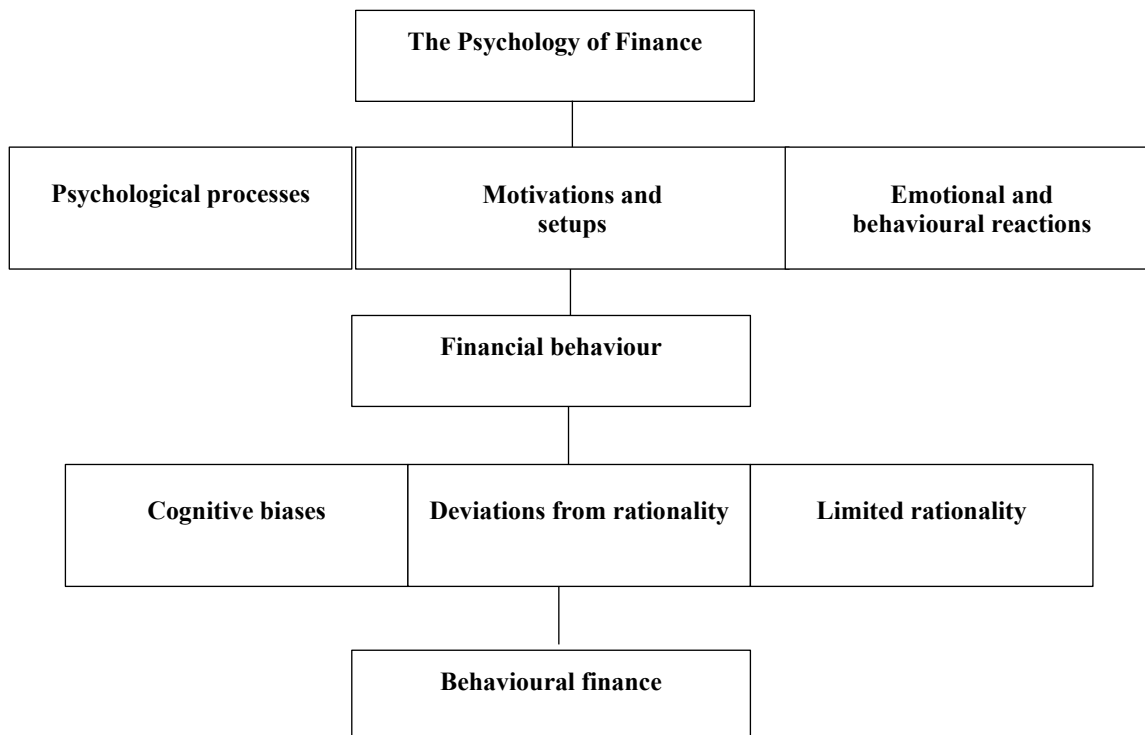


Figure 1. Points of intersection between financial psychology and behavioural finance

Source: compiled by the authors based on [2, 10, 14]

factors in financial processes. Integrating these approaches enables a more comprehensive understanding of financial behaviour and improves the effectiveness of financial decisions.

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