

## Status Quo Bias and Investor Psychology: Literature Review

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### Abstract

The irrationality of human decisions stems from various behavioral predispositions. It leads individuals to the achievement of utility satisfaction over utility maximization. As such, Status quo bias influences individuals to stick with their original decision despite better alternatives. Like many other decisions, individuals act irrationally in their investment choices and demonstrate the status quo bias behavior. Hence, in this paper, we try to synthesize the implications of investment decisions with the psychological theories of human decision-making and identify the drivers of the status quo behavior among individual investors. Based on past literature, we identify different cognitive, emotional, and mental accounting processes that drive individual status quo bias. In addition, we present a brief overview of nudging the status quo bias to neutralize its drivers and modifying individual behavior towards rational decision-making in the investment environment.

**Keywords:** *irrational decisions, psychological theories, status quo bias*