

## Abstract



Title of Document:

### Decisions under Risk: Factors Affecting Descriptive Choices

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PhD Thesis

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The current thesis is an attempt to understand the decision making process under uncertainty. Uncertainty refers to scenarios where the outcome associated with an action is not known for sure. Uncertainty is generally studied in terms of risk for research purposes where probabilities associated with events can be calculated. However, the existing literature has mainly focused on descriptive scenarios ignoring the experiences associated with the decisions. The current thesis adds to the literature by investigating scenarios where both



experience and description are available to the decision maker. This thesis further investigates the role of emotional experience on descriptive choices. We further looked into the factors that can diminish the effect of experience on descriptive choices. Framing as a possible moderating factor was manipulated to examine its effect on choices. Lastly, effects of initial information were investigated on loss aversion. Findings support the current debate on the loss aversion with arguments against general loss aversion. Choices under mixed uncertain scenarios that contain both gain and loss were studied to understand gain-loss asymmetry.

These investigations lead to the following findings, firstly, predictions of prospect theory hold true on Asian (Indian) population with more intense results in the gain domain. Secondly, feedback provided on descriptive choices influence probability estimation, specifically attractiveness, reversing the usual overweighting of small probabilities to underweighting. Thirdly, providing positive emotional feedback on the zero outcomes in gain domain moderates the effect of feedback on descriptive choices under risk. Emotional feedback does not work for loss domain. Fourthly, framing zero outcome as loss moderates the effect of feedback on descriptive choices under risk in gain domain but framing the zero outcome as gain does not influences choices in loss domain. Lastly, initial information acts as a reference point and directs gain-loss asymmetry either to the direction of loss aversion or symmetry, depending upon



the starting point. Findings provide empirical support for the value construction account of loss aversion. The thesis concludes with suggesting a feedback module in the belief- based account of descriptive choices.

**Keywords:** Risk, Uncertainty, Prospect Theory, Description, Experience, Gain-loss asymmetry, Framing, Emotional Feedback, Discriminability, Probability weighting, Loss aversion