



THE INFLUENCE OF SOCIAL FACTORS ON DECISION-MAKING FINANCIAL SOLUTIONS AT THE ENTERPRISE

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Abstract. *Since the time of Adam Smith, classical economic theory has assumed that individuals act rationally in their economic decisions, maximizing benefits while minimizing risks. However, real-world economic agents are people with unique psychological and socio-cultural characteristics. Behavioral economics and finance study the deviations from rational decision-making, examining emotional, cognitive, and cultural influences. This article explores the key factors affecting financial behavior in households, including emotional impulses, materialism, bounded rationality, and the influence of societal norms. Based on empirical data from the Russian Academy of Sciences and theoretical insights from classical and modern behavioral scholars, the study concludes that financial literacy, personal values, and social frameworks significantly shape financial decisions, often leading to irrational outcomes.*

Keywords: *Behavioral Economics, Financial Behavior, Households, Financial Literacy, Materialism, Irrational Decision-Making, Socio-Cultural Factors, Bounded Rationality.*

Since the era of Adam Smith, economic science has posited that individuals make decisions by maximizing personal benefit and assessing various risks, implying rational and logical behavior. However, economic agents are individuals with distinct psychological and social characteristics. Psychological traits include the capacity for emotions, formation of beliefs and principles, manifestation of fears and desires, and the influence of past experiences. Social traits encompass adherence to societal norms, cultural values, and traditions. The interplay of these diverse

factors often leads individuals to act irrationally, deviating from classical economic theories.

Behavioral finance, an extension of behavioral economics, examines how psychological and socio-cultural factors influence financial decision-making. It focuses on behaviors related to financial intermediaries, product purchases, credit usage, insurance, and investments. A study by the Russian Academy of Sciences revealed a shift in saving behaviors between 2015 and 2017, with a notable increase in individuals spending all their income without saving, particularly among economically active citizens aged 35–44.

Financial literacy significantly impacts financial planning and behavior. It encompasses knowledge and competencies in managing personal budgets and understanding economic processes. Financially literate individuals aim to optimize income and expenditures, making informed decisions about financial products and services.

The authors hypothesize that psychological and socio-cultural factors, as explored in behavioral economics, also affect household financial behavior. Drawing from classical and contemporary economic-sociological theories, the study identifies key factors shaping financial behaviors. Erich Fromm's work highlights the human desire for ownership and its association with happiness and success. Materialism can lead individuals to equate possessions with life goals, influencing financial decisions regardless of income levels.

According to Herbert Simon's theory of bounded rationality, individuals seek satisfactory solutions rather than optimal ones. Goods and services can be categorized as hedonic (pleasure-inducing) or utilitarian (functional). Hedonic purchases are often impulsive, driven by emotions or external influences, such as marketing strategies that encourage immediate buying decisions.

Research indicates that social norms and moral standards often guide behavior more than personal benefit maximization. This reliance on societal

cues can complicate decision-making, leading individuals to make less effective or irrational choices, influenced by emotions and potentially conflicting with personal goals.

Conclusion: The study highlights that financial decision-making within households is deeply influenced by emotional, psychological, and socio-cultural factors. Contrary to classical economic theory, which assumes rationality, individuals frequently make impulsive or emotionally driven choices, often under the influence of social norms and material aspirations. Financial literacy emerges as a critical element in promoting rational financial behavior. Furthermore, the prevalence of materialistic values and the pursuit of social status can lead individuals to overconsume or make financially suboptimal decisions. The findings suggest the importance of integrating behavioral insights into financial education and policy to support informed and responsible economic behavior in society.

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