

ISCKMC 2020
International Scientific Congress «KNOWLEDGE, MAN AND CIVILIZATION»
**AN ANALYSIS OF SOCIAL NETWORKS IN TERMS OF BEHAVIORAL
ECONOMICS**

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Abstract

The article describes the impact of social networks on consumer economic behavior and changes in modern behavioral economics caused by social networks which have become popular in business. The article considers the role of an individual in the real information economy, which requires a deeper analysis of mental and cognitive aspects of human activities, as well as the influence of these aspects on behavior patterns and decision-making algorithms. Objective circumstances (objective laws) are not able to explain the behavior of economic agents and its consequences, and, therefore, cannot perform predictive functions. The article describes the ratio of the objective and the subjective as a scientific understanding of the economic theory in modern information technologies, in particular the behavior of people in social networks. It also describes benefits of social media for manufacturers in attracting customers. Therefore, a behavioral strategy for promoting goods and services should include actions adapted to social networks.

2357-1330 © 2021 Published by European Publisher.

Keywords: Behavioral economics, social media, economic behavior



1. Introduction

Economics is changing, expanding, becoming more complex; new areas of scientific economic research appear. It is in the era of changes, adapting to the achievements of world science.

In the modern neoclassical economic theory, by the end of the 20th century, the mainstream direction - market radicalism (fundamentalism) - is dominant. But this vector of development is imprecise in basic concepts. One of the most erroneous judgments is belief in the rationality of a person as a participant in economic activities (EPEE HSE, 2020). A new direction began to develop. It is "behavioral economics". The basis of behavioral economics is psychology and economics studying human psychology and economic behavior of market agents. This direction offered a completely new view of complex problems. The new concepts were based on empirical studies of human behavior in the economic environment, which made it possible to describe this behavior in more complex and meaningful models than those offered by neoclassicism (Tutov, 2017).

2. Problem Statement

Behavioral economics sparked a debate in society and drew attention to the new economic direction. It went beyond traditional issues of the economic theory, and began to study acute socio-economic problems, using new methods and approaches (Vlasov & Gaibov, 2020).

3. Research Questions

The subject of this article is the role of social networks as one of the factors of modern behavioral economics.

4. Purpose of the Study

The purpose of this work is to study the impact of social networks on the economic behavior of consumers, as well as changes in modern behavioral economics caused by social networks which are popular in modern business processes.

5. Research Methods

Behavioral economics studies the influence of emotional, cognitive and social factors on decision-making by economic agents and the impact of these decisions on the market. Exploring various behavioral models, it seeks to find boundaries of a rational choice, therefore, it is closely related to psychology and the behavior science.

6. Findings

Daniel Kahneman, a Nobel laureate for Economics, is considered to be the founder of behavioral economics. Despite his psychological education, Kahneman has influenced the development of modern economics. Numerous experimental results confirming the facts that a person is often not able to

rationally assess advantages and disadvantages of decisions made, their benefits and losses were described by the researcher (Kahneman & Smith, 2002; Loewenstein & Sutherland, 2014).

Traditional economic theory cannot explain the behavior and activities of agents. While behavioral economics is emerging as a previously unknown direction in which choices are based on experimental and empirical tests, the rational behavior of the individual is understudied.

Economists often argue that information allows you to make better decisions. However, information asymmetry that exists when one economic agent has more information than another one can also have negative consequences for a more informed agent. This phenomenon occurs because more informed agents use their own knowledge. This feature manifests itself in many areas of economic life, such as price formation or productivity assessment. As for the latter, one study showed that experts underestimate the amount of time it takes for beginners to complete tasks (Loewenstein & Sutherland, 2014).

Recently, however, the motives and patterns of economic behavior of consumers have changed, because social networks have a significant impact on consumer choices. Social networks have become an integral part of our lives, because they are not only entertainment platforms, but also markets for the provision of goods and services.

Currently, social networks can be considered to be platforms for developing business. In "Instagram", people can advertise their bookstores, new cafes or confectionery production, attract new customers, promote products, make them known for most residents of a city or even a country. When an active user of social networks sees a large number of subscribers, he automatically begins to trust the manufacturer. If a brand publishes a product on the network, which has a large number of "likes" and "repost" marks, this indicates a desire to purchase this product. This fact proves the influence of the Internet community on the economic behavior of people.

Through various promotions and contests, customers become more active in order to receive preferences, for example, a discount, or win a prize. This indicates an increase in the activity of economic agents, activation of the economic behavior. In addition, social media provides a unique opportunity for manufacturers to provide quick and effective feedback. Buyers develop brand loyalty, which makes them buy products produced by this company.

7. Conclusion

Thus, behavioral economics is a young developing science. Research by psychologists and economists has made a great contribution to its development, having achieved results in the study and formation of behavioral economics as a new promising direction in modern economic science. It is the influence of social networks on the economic behavior of people that is a new aspect of behavioral economics. Despite this, one cannot deny the huge influence of social platforms on the analysis of consumer choices made by economic agents, various marketing strategies, and motives of consumer behavior in general. Behavioral economics continues to develop, bring new directions and theories into the development of modern economics. It is impossible to underestimate the influence of this direction on the development of the world economy, because the vector of development of economic science depends on human behavior.

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