



Role of Positive Psychology in Economic Decision

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Abstract

Positive psychology is a branch of psychology mainly deals with positive influence. It is a kind of liberation from the current circumstances. Through positive psychology people try to find happiness from moment to moment. It's an approach initiated by Seligman focusing on dealing with negative experience through positive thinking, positive light and also deals with strength rather than weakness. This paper highlights the benefits of positive psychology, the importance of psychology especially positive psychology in economics and also discuss the role of positive psychology in decision making in economics. The conclusion has been drawn based on review of papers, articles, books which shows that positive psychology has a positive effect regarding decision making in various economic activity. A mental strong being takes strong decision in life especially day to day economic activity. He will be a good consumer, profit seeker, a good producer. He will take strong financial decision. A strong well-being takes good decision regarding consumption, production and distribution of income. A happy person has strong innovative ideas which he uses to apply in business activity. A nation will progress if its economy grows and that rest in the hand of people of a country i.e. A policy maker, A producer and consumer etc. and its very important for all of them to be mentally strong through positive psychology.

Keywords- Psychology, Positive Psychology, Economics, Economic Decision.

Introduction

“Positive psychology is scientific study of human strength and virtues” [Seligman].

Seligman considered the [father of positive psychology](#) . Positive psychology is a branch of psychology mainly deals with positive influence. It is a kind of liberation from the current circumstances. Through positive psychology people try to find happiness from moment to moment. It's an approach initiated by Seligman focusing on dealing with negative experience through positive thinking, positive light and also deals with strength rather than weakness. According to Peterson” positive psychology is the scientific study of what makes life most worth living” [Peterson,2008] i.e. it is scientific approach of studying human thoughts, feeling and behavior. As discussed earlier man concern of positive psychology is to deal with strength i.e. how a person can develop good in life[Jarden,2012] and “taking the lives of average people up to a great”[Peterson,2008].Seligman in 1960's conducted a research where he developed a theory as “learned helplessness” in which he describe how a person feel helpless and depressed in their life. He discussed the behavior of an individual to feel bad and low about themselves i.e. they are of no use, their life is waste etc. He further works on the subject which deals with inspiration and bringing back the positivity into one's life.

According to **WHO (World Health Organization)** “a good mental health is related to mental and psychological well-being” thus they have promoted prevention for mental disorders, taking care of human beings and promoting awareness among people about measures to achieve good mental health. WHO defines mental health “a state of complete physical, mental and social well being and not merely the absence of disease or infirmity” (WHO,2001, p.1)?

Importance of positive psychology

- Positive psychology leads to improvement in job performance
- A positive person (motivated, happy) will have better thinking skill which will boost their ideas that will further help in their workplace.
- Positive psychology enhances person's perspective to strengthen their happiness in day to day life.
- A person will not feel happy by just putting on happy face rather being motivated to be happy (Scoll and barnes,2011).
- Performing act of kindness boost well-being (layos and nelson, 2012).

- Feeling happy and positive increases chance of success (king and diener 2005).

Thus, it can be concluded that positive psychology deals with various ways to have a good life ahead and a good life comes from being happy, motivated, positively living and believing one's potential and action.

Peterson in 2008 conducted a research in which he he gave various point regarding positive wellbeing:

-People are happy for the most time.

-Main cause to have good in life is to be happy.

-Strength in character, having social interaction and happiness deals with all the disappointment and setback.

Applying Positive Psychology in Daily Life

There are various ways through which a person can uplift their personal emotions but some the ways that are suggested in positive psychology is through : using daily diary to note feeling, emotions and thinking etc., maintain a journal in which a person can write their circumstances on daily life and also strategy adopted to surpass such feeling, having gratitude journal and gratitude visit to deal with negative experience of life and building personal strength by thinking motivated.

Seligman used **PERMA** model to explain well-being in greater depth

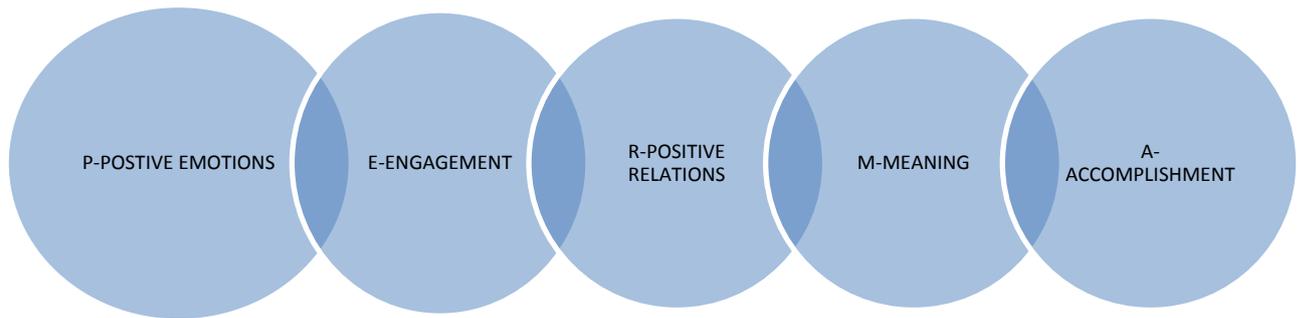
P- Positive Emotions i.e. how to experience positive emotions. When a person encounters with some difficult situation or circumstances then how he/she reacts to such emotions and what strategies to be adopted to experience positive emotions.

E-Engagement- it means completely lost/absorbed in something we enjoy or feel. Here the discussion about flow and micro flow to an event or activity. A person should do such work which he enjoys completely and completely lost in it.

R-Positive Relations- as we know human is a social animal so its important to have good relationship to feel good and also for better life

M-Meaning- it's important to have meaning in life even if you are happy i.e. dedicate yourself to some aim will give meaning to your life.

A- Accomplishment- it's always important to have aspiration for achieving bigger things in life.



PERMA Model

PERMA MODEL given by Seligman. It describes the complete chain of events in positive psychology. This model describes how a person can achieve good feelings about themselves through their positive feeling, engaging themselves, interacting with people and having an aim in their life etc. thus this model clearly describes the aspect of positive psychology and the concept of flow/microflow.

Importance of Psychology in Economics

Economics is the study of individual behavior relate to economic activity. It deals with how a person spend his money on various goods to satisfy his wants and also how he takes economic decision while distributing his income. Psychology is also the study of human behavior, their thinking, their consciousness etc. thus there is a relation between psychology and economics to a great extent. “You observe people, infer from behavior a set of belief and performance and predict future behavior accurately” [Brown,2018].

Economic decision is based on vision and future prospects. This involves the psychology of various stakeholder in predicting the future with profit/loss perspective. Shareholder use their psychology to forecast the future benefits.

Psychology of employer and consumer is another aspect. It deals with decision of the employer and employee regarding their job. Consumer needs and desires are important which should be dealt with strong mindset. Various decision such as managing production (increasing or decreasing), techniques to manage sales is all aspect of psychology. So, it's very important to understand the psyche of customer and producer so as to achieve better economic progress and development within the country.

In the same way a supplier uses their conscience, their thinking and consciousness to negotiate rates and yield returns from investment. Decision on central problem of an economy i.e. what to produce, how to produce and whom to produce depends on psychological well-being of an individual. In all financial decision such as investment

decision, incentives, bonus, product pricing etc. all depend on human psyche. The selling / advertisement strategy for any product also depends on people's behavioral pattern which again is aspect of psychology. Similarly, policy makers and economic expert using existing data and their conscience take a further decision to impart certain policy and also deals with the issue of economic development.

Innovation is also a phenomenon where a person uses his mind to deal with understanding of market. So, through psychology a person uses/ adapts innovation in this transient period so as to create business model for successful business.

Role of psychology in business management and administration is evolving now a days. Awareness among people about their surrounding help people to take right decision and act rationally.

Role of Positive Psychology in Decision making in Economics

Like all Science, psychology is knowledge; and like science again, it is knowledge of a definite thing, the mind” – James Mark Baldwin.

WHO (World Health organization) defines “Mental health is determined by socioeconomic and environment factors” (WHO,2001, p.2).

“A climate that respects and protects basic civil, political, economic, cultural right is fundamental to promotion of mental health” (WHO,2001).

An Experimental study conducted in **Kenya** titled “Can positive psychology improve psychological well-being and economic decision “by **Baranov V et.al (2019)** in which they conducted a randomized experiment so as to evaluate the effect of psychological intervention on psychological well-being and economic decision. Residents were assigned randomly to participate in exercise to promote gratitude, self-affirmation and aspiration etc. and the finding shows that there is improvement among workers through these exercise at their workplace and had manage to show sustained and positive behavior.

Another study conducted by **M. Fahima (2015)** at Pondicherry university on “the tale of positive psychology and behavioral economics” which illustrates effects of nudges on behavioral changes. These nudges consist financial gains, grit, mindfulness [Mohideen, 2015]. So as to see a manage behavior. This study concludes better and effective way of giving behavioral strategies which helps to ripe future opportunities that will further helps in taking strong decision in day to day economic activity.

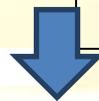
Positive well-being has a positive impact on innovation, production, institutional efficiency, and norm-obeying behavior. Therefore, economic growth, productivity, income,

wealth, and well-being are increased. Apart from the gains for the economy and for individual and national wealth, freedom, democracy, and the rule of law also benefit. People live in a safer and more liberal society. **Lok Sang Ho** in his book shows that due to reduced mental good there is lack of happiness among developed countries despite having economic progress. He describes investment strategy and consumption pattern from a life. People do good thing when they are mentally stable. **VicHealth framework** which is design to promote mental health and well-being have mentioned key determinant of mental health. These are as follows

| Determinants of Mental Health | | |
|---|---------------------------------------|---------------------------------------|
| Social inclusion | Freedom from discrimination | Economic participation |
| Strong relationship Group activities People participation | Valuing Diversity Self-realization | Work Money Education housing |



| Group of Population and Actions | |
|---|--|
| Groups from large population | Action to promote Health |
| Kids Old age people Men and women Diverse culture people | Monitor and evaluate Skill development programme Development at various organizations Policy reform and legislature |



| Sectors for taking Actions | | | |
|----------------------------|------------------|------------------|-----------------------|
| Transport | Corporate | Workplace | Justice health |
| Housing | Community | Education | |



| Temporary Results | | |
|-------------------|----------------------------------|---------------|
| Personal | Institution and community | Social |



Thus, the above-mentioned table shows the functioning of good mental health on human various activity i.e. how a person with good health especially mental health will achieve success in various aspects of life and according will contribute to the economic and social prosperity of a Nation

Jenkin R et.al (2013) in his article “global mental health: the social, economic and political right challenges”. This paper highlights the relationship between poverty and mental health. There is a description of effect of poor mental health on poverty i.e. a mentally weak person remains within the vicious circle of poverty because he has low capacity to make economic decision and bear the unwanted risk. Study shows that about 10 % of child and 15 % of adult face mental health problem and this leads to socio economic consequences such as reduction in employment level, involvement in criminal activity and addiction and level of educational attainment is poor. Thus, poor health leads poverty. There are various approaches that deals with mental health issues in underdeveloped and developing countries. These are public mental health approach which deals with treatment and prevention of mental disorder. Human right approach which deals with “de institutionalization of people with chronic mental disorder” (Jenkin et.al, 2013). Developmental approach which discusses how mental health will improve if counties national income increases which is a positive sign to reduce poverty. Through this paper they came to a conclusion that there is need to provide increased international financing to address growing mental illness in underdeveloped country. Integration of mental health policy in education, employment, agriculture and business management and development.

Conclusion

Education is one of the major indicators of life outcome. It can be social status, employment opportunities etc. It helps in shaping the social identity, socio economic status and also well-being of an individual (Cohen, 2004). Increased education to a higher level has positive impact i.e. better health, increased income and a well-defined socio-economic status etc. Positive well-being has a positive impact on innovation, production, institutional efficiency, and norm-obeying behavior. Economic growth, productivity, income, wealth, and well-being are increased. There is improvement among workers through positive well-being exercise at their workplace and had managed to show sustained and positive behavior. Apart from the gains for the economy and for individual and national wealth, freedom, democracy, and the rule of law also benefit. People live in a safer and more liberal society. Better and effective way of giving behavioral strategies which helps to ripe future opportunities that will further help in taking strong decision in day to day economic activity. A mentally strong being takes strong decision in life especially day to day economic activity. He will be a good consumer, profit seeker, a good producer. He will take strong financial decision. A strong well-being takes good decision regarding consumption, production and distribution of income. A happy person has strong innovative ideas which he uses to apply in business activity. A nation will progress if its economy grows and that rests in the hand of people of a country i.e. A policy maker, a producer and consumer etc. and it's very important for all of them to be mentally strong through positive psychology.

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