International Series on Consumer Science

Dominika Maison

The Psychology of Financial Consumer Behavior

International Series on Consumer Science

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The Psychology of Financial Consumer Behavior

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ISSN 2191-5660 ISSN 2191-5679 (electronic)
International Series on Consumer Science
ISBN 978-3-030-10569-3 ISBN 978-3-030-10570-9 (eBook)
https://doi.org/10.1007/978-3-030-10570-9

Library of Congress Control Number: 2018966521

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Preface

When talking to economists, one can often hear the differences in financial behaviours between people being explained by their material situation: people spend more money, buy more expensive products, and have bigger savings when they make more money. This seemingly simple relation is true when looking at it from a macro perspective and the observed statistical dependencies, but it is no longer true when approaching it from an individual perspective of a single person. It then often turns out that among any two people with similar earnings and a similar life situation, one person will have no qualms or issues with spending money, while the other will find it painful to spend even the smallest amount of money. Something that can explain these differences is that financial behaviours, apart from the level of finances held, depend on many social and psychological factors like, for instance, a person's general approach to life, their level of optimism, sense of control over their life, relation to money, level of materialism, and money spending style.

The aim of this book is to take a closer look at the nonfinancial and mainly psychological factors explaining and determining attitudes towards finance and financial behaviours. The results of numerous studies will be presented in this book, demonstrating that the ways in which people behave in the area of finance (e.g. having savings, debts, or possession of a bank account and use of a card) are dependent on their financial resources only to a certain extent (if they have surplus money or not – economic perspective). In many places throughout the book, there will be analyses showing that if, apart from demographic variables and income, psychological factors are taken into account when examining the drivers of various financial behaviours, the significance of demographics and income either ceases or clearly drops.

The first chapter of the book reviews research on unconscious and automatic consumer behaviours (from the perspective of behavioural economics and social cognition) and studies showing the significance of different psychological variables when explaining financial behaviours, which are both non-specific (not related to finance), like conscientiousness, neuroticism, and self-control, and specific (related to finances), like attitudes towards money, money spending style, and materialism. It also presents a seven-segment consumer typology in terms of people's financial

attitudes and behaviours, which will serve as a reference point for various financial behaviours and attitudes identified further on in the book. Chapter 2 will be dedicated to finding the answer to the question of what makes people content with their finances: their objective financial situation or its perception and general approach to life? An important issue appearing in this chapter is the dependency between the material situation and satisfaction with life (sense of happiness), and answers will be provided to the common question of "can money buy happiness?" or is the opposite true – perhaps life satisfaction has wealth-inducing powers.

The next two chapters (Chaps. 3 and 4) will concern the things that people normally do with their money: how they spend it, where and how they keep it, and if they save or invest it? Curbing spending may be motivated by several factors, not just financial limitations (not having enough money), but also by psychological determinants, like some people having a smaller tendency to cut back on consumption while others having a greater propensity to spend money, regardless of their objective situation. A new concept of money spending styles is also introduced in this chapter, identifying four styles: Thrifty Spending, Belt Tightening, Happy Spending, and Spendthrift, which helps explain different financial behaviours. Chapter 5 is devoted to creating debt and paying off debt, which, contrary to popular belief and the frequent explanations provided by debtors themselves, is also more dependent on psychological factors than demographic and financial ones (income). Another segmentation is introduced in this chapter, this time of borrowers, showing five types of consumers in terms of the motives underpinning indebtedness and the approach to debt repayment: Forgetful, Indebted for Others, Carefree, Lost in Finances, and Avoiders.

The last chapter is a response to the dynamically changing banking situation around the world, where people entering the banking system have convenient and easy access to all the available solutions and facilities that it brings (e.g. cashless transactions, online banking, and mobile banking). There are huge differences in the level of banking between countries, where only a small percentage of residents actually have a bank account in some (e.g. Pakistan – 11%), while in others, the majority not only has an account but has also reached the highest level of banking of nearly fully cashless behaviour (e.g. Sweden). This chapter presents a hierarchical model of banking service use with seven levels of adoption to cashless transactions and introduces the Love for Cash concept reflecting physical money worship, which is one of the greatest (alongside the fear of technologies) barriers to banking and to advancing towards cashless financial behaviour.

This book is the outcome of decades of my research into financial issues, which has been both scientific (e.g. funded by the Polish National Science Centre (NCN), grant no. DEC-2013/11/B/HS6/01163) and commercial, commissioned by numerous financial institutions in Poland and around the world, alike. One example is the multi-annual project comprising dozens of studies on the level of banking usage of Poles that I carried out for the National Bank of Poland. The goal underlying this research was a large project aimed at changing the financial behaviour of Poles to more intensive cashless behaviour. The understanding of psychological (and often unconscious) factors underlying such behaviour that was gained through this

research made it possible to conduct a highly successful social campaign. Also, a key source of inspiration and knowledge concerning financial behaviours in this book came from the financial marketing research conducted under my supervision for many local and global financial institutions, e.g. Citibank, ING, Aviva, Alliance, Credite Agricole, Nordea Bank, Wonga, and Mastercard, and for services companies, like Universal McCann, Hill & Knowlton, and PwC.

Warszawa, Poland Dominika Maison

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About the Author

Dominika Maison – professor at the University of Warsaw, dean of the Faculty of Psychology, and owner of the marketing research company Maison&Partners. She is co-creator of study direction "Economic psychology". Her main scientific research is connected to unconscious consumer processes, economic psychology, consumer responsibility, and methodology of marketing research.

In addition to academic work at the Faculty of Psychology at the University of Warsaw, from the early 1990s, she is engaged in marketing research and successfully combining science with practice. Next to her academic work, she is involved in several activities related to business. In 2005, she founded a market research company *Maison&Partners* specialised in strategic and financial research. She is cooperating with financial institutions (e.g. banks, insurance companies) conducting marketing researches, helping with creating brand strategies, and introducing new products. She is an expert of the National Bank of Poland involved in building national strategy to promote "cashless behaviour".

Dominika Maison is the author of numerous publications in journals and books (e.g. Qualitative Marketing Research. Understanding Consumer Behaviour). She gave nearly 100 conference presentations. She is regularly invited to radio and television as an expert on financial behaviours, consumer psychology, and marketing research.

In 2003–2008, she was the president of the Polish Society of Market and Opinion Researchers (PTBRiO); in 2009–2013, she was an ESOMAR representative for Poland – the largest international organisation dealing with opinion and marketing research (European Society for Opinion and Marketing Research). She is a member of the SCP (Society for Consumer Psychology), QRCA (Qualitative Research Consultants Association), ACR (Association for Consumer Research), and IAREP (International Association for Research in Economic Psychology).

Chapter 1
The Psychological Perspective in Financial Behaviour

1.1 Changes in Looking at the Human Being and Its Consequences for Understanding Financial Behaviour

Financial behaviours, for instance, whether somebody is saving, is in debt, or has insurance, have been long explained in economy, assuming a simple dependency between the level of income (or a more broadly understood material situation) and these behaviours. The assumption that was made was that the higher the income, the more savings or insurance held or lower the debt (Antonides, de Groot, & van Raaij, 2011; Brounen, Koedijk, & Pownall, 2016; Yoon, La Ferle, & Edwards, 2016). These studies revealed correlations, but they usually were not high and explained only a small percentage of the variance in the results obtained (Furnham, 1985; Lunt & Livingstone, 1991). This means that many other factors are responsible for financial behaviours than merely the finances that a person has at their disposal. In the search for other, nonfinancial explanations for these behaviours, researchers were first and foremost interested in socio-demographic factors like sex, age, level of education, or the social status of a person (Cronqvist & Siegel, 2015). The results of these studies, too, unfortunately show a relatively inconsistent picture of results and are not sufficient to explain financial behaviours.

The times when a person's economic behaviours were approached from the perspective of finance and demography are, thankfully, long gone (Kahneman, 2011; Simon, 1987; Thaler, 2016). We now know that many financial decisions are largely dependent on nonfinancial influences as well as situational factors and individual features of personality (Donnelly, Iyer, & Howell, 2012). Interest in the nonfinancial factors of economic behaviour has drawn economy closer to psychology and triggered a growing interest among scientists on the borderline of both these fields, behavioural economics and economic psychology, as well as in interdisciplinary research on these issues.

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D. Maison, *The Psychology of Financial Consumer Behavior*, International Series on Consumer Science, https://doi.org/10.1007/978-3-030-10570-9_1

1.1.1 From Full Rationality to Biased Decisions: Behavioural Economics

The popularity of the psychological perspective in economics started in the 1960s. American economist Herbert Simon, who studied the decision-making processes in light of psychological knowledge (particularly in the field of cognitive psychology and information processing), introduced the "bounded rationality" concept into economics, which stood in opposition to neoclassical economics theories. In 1978, Herbert Simon was awarded the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel (referred to as the Nobel Prize in economics) for his research on the theory and process of decision-making within economic organisations (Simon, 1987). The popularity of the approach that introduced psychology into economics, and particularly of the term "behavioural economics", has grown immensely with the award of the next two Nobel Prizes in economics to Daniel Kahneman and Vernon Smith in 2002 and to Richard Thaler in 2017. The behavioural economics perspective researching the cognitive and emotional aspects of human functioning affecting economic decisions has revealed the human person with his/her thinking traps and decision-making biases. It made economists (and not only them) aware of the limitations of human cognitive abilities resulting from cognitive biases and heuristics, which characterise thinking and decision-making processes (Goldstein & Gigerenzer, 2002; Miller, Amit, & Posten, 2015; Smith, 2005). Most of all it revealed that a human person is not as rational as neoclassical economics assumed (Angner & Loewenstein, 2012; Thaler, 2015; Tversky & Kahneman, 1981).

Research in the field of behavioural economics has also revealed how significant an impact the situation and the context can have on the modification of human behaviours and choices (Gordon, 2011; Samson, 2017; Thaler & Sunstein, 2008). The context may, for instance, affect the perception of the same amount of money as either high or low (e.g. depending on if it was received or earned), the readiness to spend various amounts on the same product (e.g. depending on the place of purchase), and the perception of the attractiveness of a price discount of the same monetary value. The research by Tversky and Kahneman (1981), now considered among the classics, concerned the relative perception of the same discount amount relating to the initial price of the product. Depending on the experimental condition, the respondents were presented with a purchase situation of one of two products: a calculator or a jacket. The persons put in the situation of buying a calculator that cost $15 found out from the vendor that the same product is available in a different store 20 minutes away and at a promotional price of $10. In this case, 68% of respondents decided to make their way down to the store that was further away in order to save $5. In the second condition, which involved buying a jacket for $125, the respondent was told, just like in the first situation, that the same product is available in a store 20 minutes away and costs $120 there. This time, only 29% of the persons said that they would be ready to make their way down to get a cheaper jacket. In both cases, the product was $5 cheaper, but in the first case, the amount

was 1/3 of the price, and in the second, it was 1/30 of the price. What differed in both these situations was the price context of the purchase, where the relative value of the discount affected the subjective perception of its value. Kahneman and Tversky (1979) explained these findings in light of the prospect theory formulated by them. According to this theory, people solve decision-making problems differently, depending on whether they are presented from the perspective or gains or losses. This is why the same amount may not be perceived in absolute terms and identically in every context. For example, the same amount is perceived differently depending on whether it is lost (e.g. lost or stolen) or gained (e.g. found on the street or earned in a lottery). The negative feelings accompanying a loss of the same amount are usually stronger and more painfully felt than the joy felt in the situation of a gain (Kahneman & Tversky, 1979).

In another experiment showing the dependency between the value of money and the situational context, the participants were confronted with a hypothetical situation in which they were meant to imagine that they are lying on a beach on a warm day, and the only thing they need to be truly content is their favourite chilled beer (Thaler, 1985). Their friend offers to bring them the beer but warns that it may be expensive, which is why they're asking how much that person is willing to pay for it. The study had two experimental conditions that differed only in terms of the place from which that friend was meant to get the beer (i.e. only their situational context differed). In one condition, this was a bar in a luxury hotel, and, in the other, a small grocery store. One might think that the maximum amount set by the respondent should be dependent on how much they want to drink this beer or the money they have at their disposal. It turned out, however, that what was significant was the place of purchase. Respondents were willing to pay on average $2.65 for the beer from a hotel and $1.50 for the same beer bought at a store. From the point of view of classic economics, the place of purchase (context) should not have a bearing on the acceptance of a price for the same product, but, as can be seen, in reality it does have a major impact. The paradox of such situations is that the consumer may deny him−/herself of some pleasure just because the purchase "is not worth it" in a given context. Surely, a holidaymaker who would be willing to pay $3 for a beer from a hotel, and only $1.50 for a beer from a grocery store, is losing out on enjoying his/her favourite beer if it costs $2.5 at the grocery store.

Another phenomenon observed by behavioural economists which may lead to not always rational decisions of spending a relevant amount or keeping oneself from spending it is the subjective transaction utility, in other words, the conviction that a given purchase decision is a good or a bad deal. Consumers sometimes purchase certain things just because it is a good deal. In practice, however, such a "good deal", despite being beneficial from an economic point of view, often is a bad decision from a subjective perspective, that is, the preferences and needs of the person making the purchase. Thaler (1999) gives a funny anecdote illustrating such a beneficial decision from an economic point of view but an unfavourable choice from the point of view of a given person. He describes his friend who wanted to buy a drape to throw over her sofa. In one store, she found a discounted drape in three different sizes, which originally cost $200, $250, and $350, respectively, and now each cost

$150 in the promotion. She bought the largest drape and was very happy with her "smart" buy (biggest discount). From an economic point of view, her choice really was the best as she had saved the largest amount of money. However, from the angle of subjective utility, she chose the worst option because the largest drape was far too big for her sofa and trailed along the floor.

The study by Hsee and colleagues illustrates this perfectly (Hsee, Yu, Zhang, & Zhang, 2003). The participants in the experiment had to select one of two comparable tasks (one was shorter and would take 6 min; the other was longer and would take 7 min), and they differed in the amount of compensation: they could get 60 points for 1 and 100 points for the other. They were also informed that these points are of no value apart from the fact that 60 points could be exchanged for a box of vanilla ice cream and 100 points for the same size pistachio ice cream. Most people opted for the task worth 100 points, even if they actually preferred vanilla ice cream. The participants focused on the nominal amount of points and chose the option that guaranteed the most points for them (seeming to be the "better deal"). What was paradoxical in this situation was that the point-focused consumers were actually ignoring the consumption experience, which led them to go for the less beneficial option from the point of view of their subjective utility (taste preferences).

These several examples of studies in the field of behavioural economics give a very good picture of the thinking traps that could influence the financial decisions taken. Understanding these mechanisms also helps to gain an insight into why a given person may choose a less favourable credit offer, a bank account with a worse interest rate, or an inappropriate financial product for them (just like in the ice cream coupon example). It also shows human behaviours (financial, too) in the broader context of the interactions between situational factors (context) and the functioning of the cognitive system (e.g. cognitive biases).

1.1.2 From Rational to Nonrational, from Controlled to Automatic Reactions: The Psychology of Social Cognition

The results of experiments conducted in the field of behavioural economics are consistent with what psychology has been demonstrating since the 1970s, namely, that human decisions and behaviours are often automatic and unconscious in nature. The evidence supplied by psychology in the area of *social cognition*, combining the psychology of emotions, social psychology, and cognitive processes, has allowed the assumptions on the rationality of many decisions, including consumer and financial ones, to be revised. One such hard-and-fast pieces of evidence for the existence of unconscious processes is the mere exposure effect (Zajonc, 1980), which reveals that a person is not always aware of why they feel good about certain things and why they like the things they like. Another piece of evidence from the field of psychology for the significance of unconsciousness in decision-making processes are

the studies on unconscious information processing and, most of all, on suboptimal stimuli (Murphy & Zajonc, 1993). These studies revealed that the human mind may receive stimuli presented below the threshold of conscious perception (approx. 4 ms), which are not visible on the conscious level. What is important, however, is that stimuli, which are not consciously registered by the brain, may affect human feelings, choices, and behaviours (Berridge & Winkielman, 2003; Winkielman, Berridge, & Wilbarger, 2005). Peripheral stimuli, which differ from suboptimal stimuli in that they are exhibited above the threshold of consciousness, hence, they can potentially be noticed but are, nevertheless, not consciously seen by the person, have a similar influence on a person (Innes-Ker & Niedenthal, 2002; Niedenthal & Showers, 1991). The action of peripheral stimuli can be explained using the economics of the cognitive system. Whenever a person is surrounded by a great many stimuli, the cognitive system has to concentrate to sift through and select them and, consequently, process stimuli of greater significance on the conscious level, bypassing the less important ones.

More arguments for the existence of automatic and unconscious processes stem from the field of study on attitudes. For many years, the most dominant approach to attitudes in psychology and sociology was the tri-element theory (Ajzen & Fishbein, 1980; Allport, 1954), which assumed that attitudes are made up of closely interrelated components: cognitive (what a person thinks), emotional (what a person feels), and behavioural (how they behave). Moreover, it assumed that person is conscious of his/her attitudes. Aside from its popularity, this approach was strongly criticised, especially because of the weak correlations between the components of attitudes and the weak relationship between attitude and behaviour (Kraus, 1995). In consequence, researchers looked to find new attitude concepts that would provide a better explanation for the many doubts in this field. In the new approach to attitudes, attention was paid mainly to the unconsciousness of attitude sources (Murphy & Zajonc, 1993; Zajonc, 1980) and to their automatic (Bargh & Chartrand, 1999; Chartrand et al., 2008) and dual nature (Chaiken & Trope, 1999). The dualism of attitudes assumes that the same person can concomitantly have two different attitudes towards a specific object: one that is conscious and one that remains outside the scope of consciousness. Anthony Greenwald and Mahzarin Banaji (1995) introduced the concept of implicit attitudes to psychology (in differentiation from classic, explicit attitudes). Implicit attitudes were defined by them as "introspectively unidentified (or inaccurately identified) traces of past experience", which can affect reactions and, importantly, even when these experiences are not remembered or accessible on the conscious level, which strongly implied its unconscious and automatic character (Greenwald & Banaji, 1995).

"Hard" evidence for the existence of unconscious processes has been provided from the field of neurobiology, which has shown that emotions may appear before a conscious cognitive reaction (LeDoux, 1996). The research of Joseph LeDoux (1996) has revealed that there are direct links in the brain between areas where stimuli representations appear and areas responsible for affective reactions

(amygdala). As a result, the affective reaction to the stimuli may appear in a manner completely bypassing cognitive processing.

As can be seen in the above examples, the vision of a human person that was dominant in 1950s psychology, which first posited hypotheses and then empirically verified them (Peterson & Beach, 1967), approaching a human person by analogy to computers, now belongs to the past. In its place, increasingly more attention is being given to unconscious, automatic processes in decision-making. Some psychologists even claim that a person does not check the hypotheses formulated by them but merely confirms them through a selective perception of the relevant arguments, which are consistent with the posited hypothesis, and that the search for information is conditioned by the gathering of arguments confirming the aptness of unconsciously and automatically made decisions (Benson, 2016; Dijksterhuis & Aarts, 2010; Goldstein & Gigerenzer, 2002).

Knowledge of the unconscious processes stemming from psychology and behavioural economics alike has two important consequences for financial behaviours. Firstly, it is important in order to understand them – why people manifest certain types of financial behaviour and not others and why they often behave inconsistently (say one thing, but do something completely different). Secondly, it is significant in the context of applied research methods for studying financial behaviour. Not everything that respondents say within research about the reasons for their behaviours has to be their true motive. It may sometimes only be a declaration, or the respondent wants to give a certain impression to the researcher (self-presentation bias; Baumeister, 1987), but more often the respondent him/herself is actually unaware of the causes of their behaviour (Maison, 2018). This is why it is crucial in research aiming at understanding why humans behave in a given way in the context of finances to go beyond the declarations and harness various available research methodologies, including those that can glean the things which a person is not always conscious of (e.g. experiments or in-depth qualitative methods; Maison, 2018). This has to be borne in mind when conducting studies aimed at understanding (and not only observing) financial behaviours and getting behind their underlying motives.

The above examples from the fields of psychology and economics (in particular behavioural economics) undoubtedly reveal that many decisional processes are automatic and unconscious, which also applies to financial behaviours (Bucciol & Zarri, 2017; Dhaoui, 2015). Knowledge of the automatic and unconscious processes is of great importance for this book. Despite this not being a book about behavioural economics or consciousness, keeping these mechanisms in mind is imperative to understanding the psychological substrates of financial behaviour that are discussed herein. When considering the reasons for various financial behaviours further on in the book, it is worth remembering that not everything in people's financial behaviour is obvious or always consistent with the declarations of respondents and also not always how economists would like to see them (Table 1.1).

Table 1.1 Psychology-based nonfinancial factors influencing financial behaviours

Type	Field	Consequence for financial behaviours
Situational factors (context)	Behavioural economics	A person does not always behave rationally, and depending on external conditions (e.g. the way in which an offer was presented), the same person can behave in different ways
Individual factors – cognitive skills	Psychology/ behavioural economics	People differ in their cognitive abilities (e.g. memory, susceptibility to cognitive biases, analytical skills, and calculation skills)
Individual factors –psychological, non-specific (not connected to finances)	Psychology (personality traits)	Different people can behave in different ways in the same situations, depending on their dispositional traits (e.g. their level of neuroticism, sense of entitlement)
Individual factors – psychological, specific (not connected to finances)	Psychology (attitudes, beliefs)	People differ in their attitudes towards various financial phenomena (e.g. in relation to banks, saving, and investing), and the fact that a given attitude is positive or negative may modify the actions undertaken by them (e.g. materialism or the susceptibility for impulse buying)

1.2 Individual Differences in Financial Behaviour

As can be seen from the studies presented at the beginning of the chapter, both wages and socio-demographic variables do not suffice to explain the full variability of financial behaviours. What may be of help in understanding human financial behaviours and giving them a more complex picture are psychological individual characteristics, which determine the specific ways of perceiving the world. One consequence of such individual differences between people is the appearance in the same situations of various different reactions in persons characterised by specific individual traits. Economics definitely shows much less interest in individual differences, while behavioural economics completely bypasses them. Nevertheless, interest in psychological traits in the context of explaining economic behaviours has been growing for some time, and studies showing how different economic behaviours are conditioned by dispositional traits, mainly personality traits, are appearing more often (although still sparsely). The implications of individual psychological traits for economic outcomes are starting to spur growing interest mostly in the field of explaining such phenomena as saving, getting in debt, or investing (Caliendo, Fossen, & Kritikos, 2012; Heineck & Anger, 2010; Sekścińska, Maison, & Trzcińska, 2016; Sekścińska, Rudzińska-Wojciechowska, & Maison, 2018a, 2018b).

Individual traits which researchers deal with may be non-specific or specific in nature (see Fig. 1.1). The non-specific traits are ones that are not related to the studied area, which in this case is finance. They include various psychological traits, mainly personality traits or temperament (e.g. extraversion, neuroticism, susceptibility to risk taking, optimism), but they can also include characteristics associated with the functioning of the cognitive system (e.g. memory, logical thinking, and

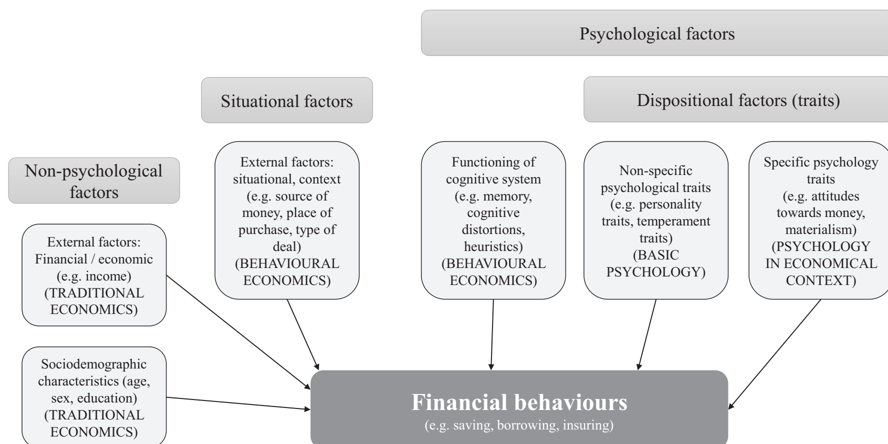

Fig. 1.1 Factors affecting financial behaviours

decision making style). Specific traits, on the other hand, are ones which, in this case, are linked to financial issues and may include attitudes towards money, banks, and insurance; they can also comprise individual dispositional traits like materialism or the susceptibility to making impulse purchases. The question that arises at this point concerns the impact that psychological traits have on financial behaviours compared to the classic financial (income) and socio-demographic variables that are taken into consideration. Moreover, to what extent do non-specific traits (e.g. personality) have a direct influence on financial behaviours, and to what extent is their impact mediated by specific individual characteristics, more directly related to finance? These are the two most important questions in this book.

1.2.1 Psychological Non-specific Traits: Big Five

Initially, researchers interested in individual determinants of economic behaviours were largely focused on the most classic five-factor theory of personality known as the "Big Five trait taxonomy" (from the Big Five Personality Model; Costa & McCrae, 1992a; McCrae & Costa, 1989). This model identifies five key personality dimensions (traits): conscientiousness, extraversion, agreeableness, neuroticism (vs. emotional stability), and openness to experience (Costa & McCrae, 1992b). This is a hierarchical model of personality, which means that each of the five main dimensions still has a lower hierarchy of traits, with each dimension containing six facets. Thus, agreeableness comprises, among others, modesty, straightforwardness, and altruism, while conscientiousness also includes dutifulness, self-discipline, and deliberation.

The underlying premise of this personality theory is that personality traits are internal dispositions to behave in a certain way. This means that persons with a large

intensity of a given trait (obtaining a high score in the questionnaire) will behave differently from those with a low intensity of the given trait in terms of behaviours associated with it. For instance, a person with a high score in the agreeableness dimension will be understanding and helpful, while someone with a low score will be reluctant to cooperate and suspicious. Going a step further, personality traits are often an explanation of why people behave in a certain way. Hence, the popularity of personality trait measurement in the context of various areas of human is functioning. The Big Five model is successfully used in management theories where the relationships between personality traits and professional efficacy or with individual behaviours within organisations have been shown (Barrick & Mount, 1993; Consiglio, Alessandri, Borgogni, & Piccolo, 2013; Mount, Barrick, & Stewart, 1998). Another area is marketing, where the relationships between the dimensions of personality from the Big Five model and consumer behaviour have been investigated, like its links to brand perception, preferences, and choices (Mulyanegara, Tsarenko, & Anderson, 2009; Sirgy, 1985; Westfall, 1962). In one study, the relationships between the personality profile of the consumer and the preferred brand with a similar brand personality profile were examined (Mulyanegara et al., 2009). It turned out that consumers with a high intensity of the conscientiousness dimension preferred more "trusted" brands, whereas consumers with a high intensity of extraversion inclined more towards "sociable" brands, which shows a certain fit of the preferred brand personality to the personality profile of the consumer. However, this relationship was observed only for some of the Big Five traits. Looking at the results of other research using the Big Five personality model to foresee consumer behaviour, it turns out that these studies do not give conclusive results and the predictive power of consumer personality on brand preference is rather weak (Shank & Langmeyer, 1994). Other individual traits like values and even demography can better explain consumer behaviour, particularly brand selection, than the classic five-factor model of personality (Costa & McCrae, 1992a, 1992b; McCrae & Costa, 1989; John & Srivastava, 1999).

The Big Five concept is enjoying rising interest among researchers of financial behaviour and, at the same time, is probably the most frequently implemented model of personality in this field. The first area where explanations were sought for financial decisions taken in light of this theory was the behaviour of stock market investors. Studies conducted in many different countries revealed that different individual characteristics might explain the functioning of individual stock market investors along with their propensity for risk-taking. They included such traits as overconfidence and ambiguity aversion (Ahmad, Hassan, Mahmood, & Aslam, 2016). Financial and investment risk-taking propensity is also encouraged by creativity, which is a component of openness to experience (Erbas & Bas, 2015). The analysis of investor behaviour on international markets (Angellini & Cavapozzi, 2017) revealed that dispositional optimism and certain facets of Big Five personality traits have an effect on financial decisions. Optimism (also linked to emotional balance) is significantly and positively related to stock ownership and the share of wealth invested in stocks, particularly in persons with a tolerance for risk and low trust in others (component of agreeableness). Optimism also encourages risky

financial behaviour, while risk avoidance (component of conscientiousness) – a low level of trust and no social interactions (component of extraversion) – discourages such behaviours.

The research of Brown and Taylor (2014) revealed that certain personality traits from the Big Five taxonomy are linked to the amount of unsecured debt and holdings of financial assets in a household. Extraversion and openness to experience are generally very strongly correlated with personal finances: extraversion with the levels of debt and openness with holding assets. Conscientiousness, however, is negatively correlated with the level of debt. Other studies revealed that the combination of agreeableness with cynical hostility and anxiety significantly contributes to risky financial behaviours (Bucciol & Zarri, 2017).

Also in the area of everyday financial management, the Big Five concept has contributed considerably to understanding what underlies good money management. The findings of various studies have revealed that conscientiousness is the most significant trait in this context. Persons with a higher level of conscientiousness are characterised by greater self-control and, consequently, are clearly much better at managing their finances. Such persons are more disciplined and responsible, which is reflected in their financial behaviours. They deliver on their financial commitments, have greater control over their expenses, and do not take risky decisions. Furthermore, they are more effective at saving (Brandstatter, 1996; Donnelly et al., 2012; Wärneryd, 1996; Webley & Nyhus, 2001) and have a smaller tendency to get in debt (Webley & Nyhus, 2001). In other words, conscientiousness is conducive to better management of finances. Neuroticism (i.e. emotional instability), however, foresees a propensity to incur debt (Webley & Nyhus, 2001) and to compulsive buying (Brougham, Jacobs-Lawson, Hershey, & Trujillo, 2011; Dittmar, 2005).

Unfortunately, not all research using the Big Five model reveals a coherent picture of the results. By way of example, in the study of Brown and Taylor (2014), there was no statistically significant dependency between the amount of debt and neuroticism, which is inconsistent with the results of other research pointing to emotional instability as a positive predictor of debt (e.g. Nyhus & Webley, 2001). Still other studies showed that neuroticism leads to less risky financial behaviours (Rustichini, DeYoung, Anderson, & Burks, 2016). Thus, whether neuroticism truly is linked to financial behaviours remains unclear, and, if it is, there is no telling if it supports more responsible financial decision-making or, on the contrary, irresponsible financial decision-making.

The Big Five model, despite its widespread use, is still criticised, mainly for its cultural instability, and the very number of dimensions is questioned. Now, some personality researchers are suggesting increasing the number of dimensions to six (HEXACO Model; Ashton, De Vries, & Lee, 2017; Ashton & Lee, 2007; Ashton, Lee, & Vries, 2014). The most important difference between HEXACO and the Big Five model is in the existence of an additional dimension, namely, the honesty-humility dimension. This factor reflects the individual differences in sincerity, entitlement, a sense of justice, and greed. Others, however, want to reduce the number of dimensions to two higher-order factors, referred to as alpha and beta

(Digman, 1990, 1997; Vecchione, Alessandri, Barbaranelli, & Caprara, 2011). The alpha trait reflects the socialisation process and the level at which a child develops in line with social standards. The beta trait, on the other hand, is linked to personal growth and enlargement of self.

Another problem linked to the Big Five model, particularly when dealing with such a specific area as financial behaviour, is the fact that it often turns out that the generic classification of personality traits, reducing it to five dimensions, is insufficient to explain such distinct behaviours as financial behaviours. What is more, certain traits of the Big Five model may be completely unrelated to financial behaviours (e.g. Angellini & Cavapozzi, 2017; Gherzi, Egan, Stewart, Haisley, & Ayton, 2014; Rustichini et al., 2016) or give an inconsistent picture of the results across different research (e.g. neuroticism – Kajonius & Carlander, 2017; Oehler & Wedlich, 2018). Yet another problem may also be the fact that a given factor as a whole may not be related to a specific financial behaviour but only to one or two facets of that factor. Extraversion, for instance, as a whole dimension may not be significant in explaining a given financial behaviour, but excitement-seeking may be significant, or a different dimension like agreeableness may not have a relationship to a certain behaviour but the compliance facet may. And this is what the research outcomes suggest. Conscientiousness, for example, showed no correlation with delayed payment acceptance, but intelligence, and its facet, did (Rustichini et al., 2016). In the Angellini and Cavapozzi (2017) study, agreeableness showed no correlation with trading in securities, but its facet, low level of trust, did. Erbas and Bas (2015) demonstrated that creativity, which constitutes the fact of openness to experience, had a positive correlation with financial risk-taking, although openness as a dimension of personality showed no such relationship. The relationship between neuroticism and financial behaviours is also debatable. In many studies, neuroticism as a complete factor did not correlate with financial behaviours, but its facets often did, and different facets correlated with different behaviours. In the study by Gambetti and Giusberti (2012), the facets of neuroticism correlated with the propensity to invest money in stock (anger) and not investing savings and holding interest-bearing accounts (anxiety), although neuroticism itself showed no correlation with them. The research findings of Bucciol and Zarri (2017) indicated that anxiety as a facet of neuroticism results in a smaller propensity to have a broadly diversified financial portfolio and investing on the stock exchange. Dhaoui, Bourois, and Boyacioglu (2013) demonstrated that pessimism, as a facet of neuroticism, correlated with stock trading volume, although neuroticism, on the whole, once again, did not. In another study, impulsiveness as a facet of neuroticism showed a correlation with compulsive buying and the generation of debt, whereas neuroticism as a complete dimension of personality failed to demonstrate such a relationship (Achtziger, Hubert, Kenning, Raab, & Reisch, 2015) (Table 1.2).

The personality traits identified in the Big Five model are not the only individual traits that are of interest to researchers in the context of financial behaviours. Psychological traits, for example, optimism (life satisfaction), values, self-control, time perspective, locus of control, or entitlement, are also important. The study of these traits in relation to financial behaviours may be less widespread, as those using

Table 1.2 Personality factors (individual, non-specific psychological traits) affecting financial behaviours (summary)

Trait	Type of influence	Source
Conscientiousness	More effective saving behaviour	Brandstatter (1996) and Wärneryd (1996)
	High savings, having insurance; good financial management	Ksendzova, Donnelly and Howell (2017)
	Low probability of indebtedness	Webley and Nyhus (2001)
	Lower probability of irrational financial behaviours – e.g. too high loans, overindebtedness	Rustichini et al. (2016)
	Negative relationship with credit card debt	Brown and Taylor (2014)
	Financial risk aversion, unwillingness to stock investment	Oehler and Wedlich (2018)
Emotional instability (neuroticism)	Higher tendency of indebtedness	Nyhus and Webley (2001)
	Compulsive buying	Brougham et al. (2011)
	Negative relationship with effective financial management	Ksendzova et al. (2017)
	Negative relationship with wealthiness level	Kajonius and Carlander (2017)
	Negative relationship with risky financial behaviour	Oehler and Wedlich (2018), Rustichini et al. (2016)
	Positive relationship with financial risk avoidance	Brown and Taylor (2014), Oehler et al. (2018)
Agreeableness	Negative relationship with stock holding and risky financial behaviour	Bucciol and Zarri (2017)
	Positive relationship with financial risk avoidance	Brown and Taylor (2014)
	Increase honest financial behaviours	Rustichini et al. (2016)
Extraversion	Positive relationship with risky financial behaviour	Oehler et al. (2018), Oehler and Wedlich (2018), Rustichini et al. (2016)
	Positive relationship with credit card debt	Brown and Taylor (2014)
Openness to experience	Positive relationship with financial risk avoidance	Brown and Taylor (2014)
Optimism	Higher tendency to overconfidence and risky financial behaviours	Dhaoui (2015)
	Higher tendency to buying than selling stocks	Kaplanski, Levy, Veld, and Veld-Merkoulova (2015)
	Positive relationship with height of unsecured debt	Brown and Taylor (2014)
	Positive relationship with trade in securities and risky financial behaviours	Angellini and Cavapozzi (2017)
	Increases trading volume	Dhaoui et al. (2013)
	Efficient/reasonable financial behaviour Less anxious about financial matters More confident about their financial situation	Strömbäck, Lind, Skagerlund, Västfjäll and Tinghög (2017)

(continued)

Table 1.2 (continued)

Trait	Type of influence	Source
Self-control	Negative relationship with indebtedness level and compulsive buying	Achtziger et al. (2015)
	Regular money saving Better prepared to unforeseen expenses More likely to have enough money for retirement	Strömbäck et al. (2017)
	More effective saving behaviours	Ameriks, Caplin, Laufer and Van Nieuwerburgh (2011)
	Higher socioeconomic status More likely to be homeowners, have retirement, savings	Moffitt et al. (2011)
	Less likely to suffer from credit withdrawals and unforeseen expenses on durables Better prevention of indebtedness	Gathergood (2012)
	Good planning and monitoring of finances, higher wealth accumulation	Biljanovska and Palligkinis (2016)
	More likely to save enough money for retirement	Choi, Laibson and Madrian (2011)
	More likely to save Better defined specific saving goals Higher probability of saving	Rha, Montalto and Hanna (2006)
	Better management of finances	Miotto and Parente (2015)

the most classic personality theories – the Big Five; nevertheless, they often provide a better explanation of financial behaviours. In addition, they also furnish further evidence that psychological factors are key in explaining the reasons for financial behaviours and, more importantly, showing that such decisions are determined not only by personality traits but also by other nonpersonality factors that are individual in nature (e.g. values). Below is an overview of certain individual psychological traits outside the Big Five taxonomy, which may have an impact on financial behaviours and which are important from the perspective of the matters discussed in this book and the research results presented therein.

1.2.2 Psychological Non-specific Traits: Individual Traits Outside of the Big Five

Optimism/Life Satisfaction

Optimism and life satisfaction are part of a broader mainstream called positive psychology, initiated by Seligman and Csikszentmihalyi in the year 2000 (Seligman &