Features of personal costs and consumer behavior in the field of savings: theoretical aspects and foreign experience

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The purpose of the article is to identify the characteristics of personal costs and behavior of market entities in foreign countries (using the example of Southeast Asian countries). The focus is on private savings of households and persons, as well as on the underlying factors of savings behaviour. The conclusion was made on the determinative importance of savings for the development of emerging market economies.
Keywords: social mobility, decision-making research, saving behavior, modest effect, external effects, implement policies, rent-oriented behavior, imperfect information.

Цель статьи – выявить особенности личных затрат и поведения субъектов рынка в зарубежных странах (на примере стран Юго-Восточной Азии). Основное внимание уделяется частным сбережениям домашних хозяйств и отдельных лиц, а также факторам, лежащим в основе поведения в сфере сбережений. Сделан вывод о детерминирующем значении сбережений для развития стран с формирующейся рыночной экономикой.
Ключевые слова: когнитивные диспропорции, бихевиористская теория, исследование принятия решений, рациональные ожидания, внешние эффекты, рентоориентированное поведение, несовершенная информация.

Introduction. In the absence of effective credit and insurance markets, household savings are a vital component contributing to a welfare in emerging economies. On the one hand, households without savings have very limited capacity to smooth out unexpected fluctuations in their income, and shocks can therefore leave lasting consequences, such as slowing down the accumulation of human capital at an early age. On the other hand, since savings are one of the few sources for accumulation of assets considering the inefficiency of financial markets, the ability to save becomes a major determinant of both social mobility and the potential for future income generation. Furthermore, while there are controversies regarding the relationship between savings and economic growth, there is a general consensus that once savings begin to grow, possibly as a result of higher incomes, they increase the potential to finance investment and create additional opportunities in the economy.

Main part. The aim of this thesis is to analyse the influence of personality traits on household savings behavior of village population in Thailand. The focus is on private savings of households and individuals and factors underlying saving behavior because saving is crucial for the development of emerging economies while its level in developing countries remain relatively low. The reasons for this are still not fully understood.

On the one hand, Thailand is an example of an emerging market but, on the other hand, it's a special case regarding household finances. Financial inclusion in the country is relatively high – 80 % of the population are participating in the formal financial system [1]. However, Thailand is facing a shortage of private savings. The Thai government is trying to mobilize savings, and one possible source for it is the savings of the rural populations in agricultural regions. In order to implement a saving mobilization strategy efficiently, it's necessary to understand the effect of each determinant of savings in this region and personality traits play an important role here. Moreover, findings of this paper on personality traits can possibly be applied to other developing markets with similar features.

In spite of the fact that the link between personality traits and saving behavior was found over 50 years ago, most attention in literature was paid to the influence of other factors such as time preferences, saving motives, attitudes, while a psychological and behavioral approach was rarely used in the literature. However, it is intuitively obvious and was empirically proven in the last two decades that cognitive abilities and personality traits can be a good predictor of economic outcomes of individuals. For instance, it was found that development of careers and earnings are influenced by personality traits with respect to gender difference, using the Big Five model, found that differences in labor force participation of women can be explained by personality features.

Another possible research area, where strong influence of personality traits were found, is debt and savings behavior of individuals. In the work of Donnelly et al. [2], it was shown that high levels of debt are more common among Americans with high levels of conscientiousness, which are also associated with the belief that material things lead to happiness. However, Brown and Taylor [3] found that Conscientiousness and Neuroticism have no significant effect on debt or savings, whereas Extraversion and Openness have. Besides that, there is evidence that it is possible to construct a personality type which can be associated with higher saving rate. So, if a person is self-disciplined, orderly and striving for achievement and can be characterized by an above average level of conscientiousness, he or she will likely have more retirement savings than average. On the one hand, higher levels of Emotional Stability and Extraversion and lower level of Agreeableness led to higher savings for retirement. On the other hand, higher level of Extraversion correlate negatively with house-related savings.

Most of the research that is aimed at analyzing the relationship between personality types and financial behavior is based on the Big Five model, which is fundamental for understanding personality traits. In spite of the fact that 80 percents of the world population live in developing and least developed countries, most of the research is done and instruments for analysis were developed in western world countries. This may lead to possible inconsistencies in the analysis of the personality of individuals within developing countries. Nonetheless, a strong correlation between the classical Big Five personality traits and the model created with the same instruments but in the environment of developing countries was found [4]. On this basis, it can be assumed that the analysis of savings and personality relationships can be carried out within developing countries using a classical Big Five model.

The survey results show that there is a robust relationship between personality traits and the saving behavior of the rural population. Thus, Neuroticism and Conscientiousness have a negative impact on the amount of savings. There are also findings on the effect of personality traits on savings allocation and nonlinear effects. It was found, that savings at home are negatively influenced by Extraversion, while a high level of Openness positively affect savings at institutions. In joint analysis some atypical relationships between personality traits and savings were found which may be caused by high level of risk and uncertainty in combination with low levels of education.

Personality is the pattern of characteristic thoughts, feelings, and behaviours that distinguishes one person from another and that persists over time and situation. Differences in personality form individual preferences which significantly affect the decision-making process. Personality traits are well described in the psychological literature and nowadays are becoming an important factor of economic literature in frame of behavior economics.

Personality is a broad concept which can be viewed from various perspectives and defined in different ways. The conception of personality may only be comprehended hypothetically, and there is no explicit neurological background for it. Nevertheless, there were made attempts to describe the person from the point of view of neuropsychology or cortical dopamine activity.

The personality structure is fairly stable and predictable throughout different situations and over time. Moreover, personality traits are different in depth and significance. The basis is the innermost layer, whereas the outermost layer depends on situation and is influenced by, for example, fatigue. A weary person might respectively act not as usual, not like true self. Personality traits depend on the situation, may be more or less visible and also develop over time. However, the changes which reflect events and feelings over the lifespan only affect the surface, while the core character remains stable. To sum it up, it is possible to define personality as the underlying cause within the person, determining individual behaviour and experience [5].

For the following analysis the Five Factor model of personality (FFM or the Big Five model) is used in order to map different psychological features of individuals and to identify relationships between different personality traits and savings behavior. This concept is widely used in psychology because it helps to solve the problem of measuring a complex personality structure and can be adopted by personality research from different fields.

The popularity of the Five Factor Model of Personality was also caused by the stability of the assessed personalities over time, cultural differences and independence from cognitive skills. Cobb-Clark and Schurer [6] found that these personality traits are unlikely to change, particularly after early adulthood whereas they are changing chaotically during early childhood.

The Big Five Model of personality was constructed from factor analysis of words which people use in everyday language and asserts that there are 5 basic factors of personality. Each of the

five factors consists of components which are called facets. Facets are somewhat more precise and focused traits of personality than the larger factors to which it belongs. They can be measured separately and all facets which pertain to one factor are positively correlated with each other. Factors can be measured using language analysis, which is a third-party personality assessment. This way to measure personality can be automatized, with software analyzing the person's recognition process or by human analysis, recognizing the personality through one or several professionals. Another method is the interview, which can be considered as self assessment. This method of personality analysis is used in surveys to recognize the personality of a significant number of participants.

Extraversion determines the social relationships of individuals. Persons who have high levels of extraversion are actively making contacts with others and can be described as positive and confident with a desire for praise, social recognition, status and power.

Agreeableness (sometimes called Social Adaptability or Likability) describes inter-individual behavior. High level of agreeableness in a personality test usually represent a person as warm, friendly, and tactful, who have an optimistic view of human nature. A person who scores low on agreeableness can be described as self-centred, distant, unfriendly and uncooperative and may put his own interest above others.

Neuroticism can be defined as the tendency to experience negative effects like anxiety, self-consciousness, irritability, anger, depressive feelings. Person who scores high on neuroticism may be limited in social skills and have problems in situations which require taking control. People who scores low on neuroticism tends to be happy and satisfied with life.

Openness to experience is perhaps one of the most difficult factors to describe and it involves such facets as active imagination (fantasy), aesthetic sensitivity, attentiveness to inner feelings, curiosity. Openness leads to a broad and invitational information attitude. Individuals with high level of openness are more likely to seek out new information and have more liberal values than their peers with lower score on openness.

Conscientiousness is the personality trait which represent attitude of individuals to their obligations, performance and describes differences in people's orderliness and selfdiscipline. People who scores high on conscientiousness are diligent, self-disciplined and careful. Low score in conscientiousness is associated with easygoingness and disorder. Conscientiousness is a good predictor for job satisfaction, income and employment.

Personality traits in developing countries.

In order to compare the results of studies on personality from different regions one should take into account a possible mismatch in personality traits. In other words, personality traits can represent different features of personality in different cultures or environments because of different biases. In spite of the fact that stability and reliability of personality traits using the Big Five model was proven in many studies, there is an open question how reliable this model is in developed countries and especially in rural regions. Most studies on personality traits with the use of the Big Five model were made across western, educated, industrialized, rich, and democratic (WEIRD) populations, while using of this model outside WEIRD populations is unclear and some evidences only recently came up in the literature. Since the current study is aimed to capture relationship between personality traits in the frame of developing economy using data of Thailand's Socio Economic Panel from rural regions of the country, it is necessary to understand how well the chosen model can serve the aims of this paper.

Cross-cultural analysis in developing countries on the validity of FFM has shown that it is impossible to validate personal traits questions in developing countries using surveys and the standard analytical approach. It is necessary to take into account features of every country or relatively homogeneous regions. However, findings across most of the developing countries have shown systematic problems to capture Conscientiousness and Agreeableness, what means that these traits have little predictive power in the surveys data [7].

Overall it is impossible to point out a single factor that can significantly explain reliability of the Big Five model across all developing countries. If research on personality traits is made across non-WEIRD populations, it is necessary to validate the Big Five model in homogeneous regions to classical Big Five model using factor analysis.

In order to analyze how personality traits relate to savings it is necessary to understand the general trends of savings, their determinants and saving behavior in Thailand in particular and in developing countries in general.

On the one hand, household saving is a part of income which has not been used for consumption; on the other hand, it is a form of internal capital accumulation in a country. The level of household savings is one of the fundamental determinants of economic growth. This fact applies to developed and developing countries; however, it plays a more important role for the second category because credit and insurance markets there are not developed enough and cannot fully serve the growth of the economy. Moreover, household savings can be used by the Government and businesses as a source of funding even during economic slowdowns. Savings are the main source of funding in rural regions where populations are employed in agriculture and income is influenced by the seasonality of the business. Furthermore, savings are becoming more efficient when they are kept at banks or financial institutions. However, banking systems are not well developed or not credible enough in developing countries.

People save money in the best possible manner over a lifespan: young people save less as they earn less, middle-aged people are saving more as their income are higher and old people have no earnings and they are dis-saving when they are retired. In many developing countries savings growth is too low and accumulated savings are not enough to found business and thereby economic growth. For example, in Thailand savings grow on average at 4,5 % per year but the investment growth is at 9,5 % per year. This implies that the capital market in Thailand is relatively small and it can be a sign for a future inadequacy regarding the financing of investments. Thus, in conditions of developing markets with limited resources, one of the most efficient solutions is to understand of savings behavior in order to develop policy and products which can contribute to the increase of savings. Savings mobilization is a mechanisms that various governments apply to finance economic growth without relying too much on external lending. Thailand is facing an investment-savings gap problem and in order to cope with it Thai government include savings mobilization in economic development plans.

Conclusion. To sum it up, it should be noted that the determinants of savings have different meanings in different regions and cultures, and they should be analyzed taking into account the characteristics of the population in the study region.

Furthermore, there are more factors determining savings behavior that affect it in different ways. For example, evidence from Bhutan suggests that there is negative correlation between family size and savings of households. Whereas in rural Morocco, family size did not play a significant role. The level of education is positively correlated with savings and occupation and social status plays an important role in savings decision across WEIRD populations, while for instance, in Pakistan the education attainment level of the household head has a negative effect on savings and occupation level has no significant effect.

Attention bias is one of the significant distortions of consumption-saving decisions of individuals in emerging markets. In this paper psychological nature of attention bias as well as importance of this phenomenon in behavior economics was analyzed.

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