

COMPONENTS OF HOUSEHOLD FINANCIAL BEHAVIOR CULTURE

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Household financial behavior culture, or the culture of financial behavior, is a reflection of the financial literacy of households. We'll use the understanding of financial literacy as defined by The Organisation for Economic Cooperation and Development (OECD). Namely, financial literacy is «a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being» [1]. Household financial behavior culture should be demonstrated throughout their life cycle. The concept of the household life cycle was the subject of scientific research by F. Modigliani [2].

We define the culture of household financial behavior as the reflection of their life activities, expressed in corresponding behavior patterns based on ideas, ideals, norms, and values. The components of household financial behavior culture are shown in Fig. 1. In our opinion, these components are:

- ✓ consumption behavior;
- ✓ savings and retirement behavior;
- ✓ culture of lending and debt management;
- ✓ culture of risk management and insurance;
- ✓ culture of investment;
- ✓ tax culture;
- ✓ culture of charity;
- ✓ culture of lifelong learning.

Consumption behavior describe how households decide to spend money and the factors that influence these decisions. Factors include economic (e.g., income, employment, inflation), psychological (e.g., gender, personality type, religiosity), technological (e.g., convenience and features of electronic payments), demographic (e.g., age and education, marital status), and social factors (e.g., trust, societal rules and norms of behavior). For example, Nabrusco I. differentiates such household consumption behavior models as conformist consumption, demonstrative consumption, and usual consumption [3, p. 375].

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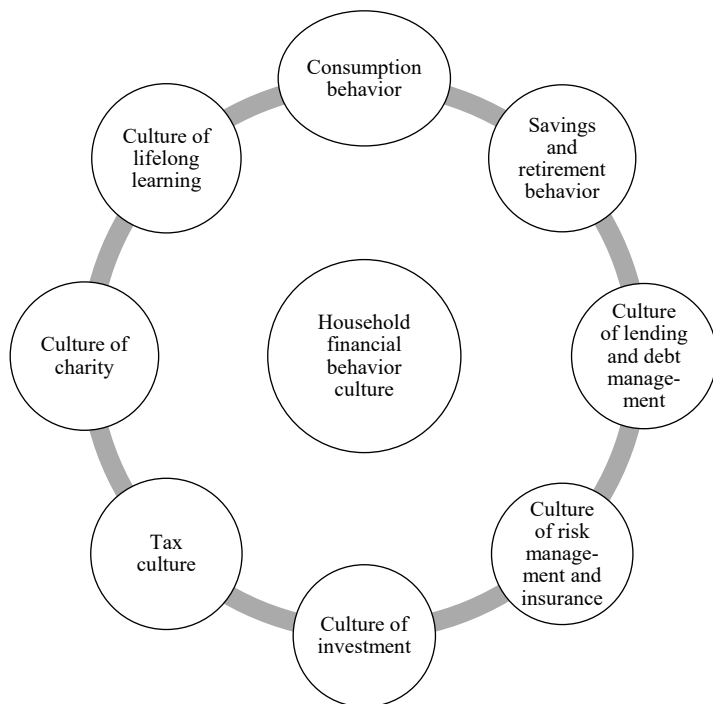


Fig. 1. The components of household financial behavior culture

Household savings and retirement behavior culture is a system of values, knowledge, skills, and behavioral patterns that determine attitudes toward saving money and its rational use for future needs. It influences financial behavior, well-being, and overall economic activity of households. Household saving and retirement behavior patterns are determined by low-risk financial savings instruments (e.g., deposits, bonds, etc.).

The culture of lending and debt management of households is a comprehensive approach that includes their responsible attitude towards loans, timely repayment of obligations, and effective budget planning. According to Kizyma T., it is appropriate to consider the credit behavior of households as a component (variant) of a broader concept – the debt behavior of households [4, p. 10].

The culture of risk management and insurance of a household is a set of behaviors that stimulate risk analysis in decision-making, as well as the use of insurance as one of the risk management methods to transfer responsibility for possible losses. In the context of household financial activity risks, these

include temporary or permanent loss of ability to work; damage to or loss of property; savings, etc.

The investment culture of households is a set of their actions regarding the use of high-risk financial instruments to ensure their own well-being. Financial instruments for investment should be high-risk (for example, stocks, currency, precious metals), which distinguishes them from low-risk financial investments for savings. The structure of the investment portfolio of households in the composition of high-risk financial assets will determine one or another model of their investment behavior. According to Lepeyko T. and Kozlova I., many factors influence the investment behavior of households, but the most significant factors are the level of household savings, the level of household income, and the household consumer sentiment index as a factor in assessing the level of uncertainty [5, p. 245].

The tax behavior of households should include their actions that are determined by their role as a taxpayer. Tax behavior is formed depending on the level of tax culture of households. In turn, tax culture is a certain level of tax self-awareness in society, at which the state realizes and implements a tax policy that takes into account the interests of society, and the household – taxpayer realizes the need to fulfill the obligation to fully and timely pay legally defined taxes, fees to the budget. Melnyk L. distinguishes two extreme types of tax behavior: law-abiding and illegal [6, p. 213].

The culture of household charity is their voluntary, selfless activities (financial, organizational, etc.) aimed at helping people who need social support and protection or support from the Armed Forces of Ukraine under martial law. It involves forming a habit of doing good in households, understanding that everyone can get involved, and active participation in charitable activities through various organizations and volunteering.

Lifelong learning of households is a process of constant growth of the general educational and professional potential of its members in accordance with their own needs and the needs of society through a system of state and public institutions. It is designed to increase the level of general knowledge of households about the financial system, expand opportunities for participation in it, and help ensure financial stability over the decades of their own life cycle.

The development of the above components of the culture of financial behavior of households will contribute to ensuring their financial well-being.

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