

# THE SAVING AND INVESTING CONSUMER BEHAVIOR ANALYSES ON THE ROMANIAN FINANCIAL MARKET

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*This article aims to provide an analysis of the saving and investing consumer behavior, that where researched in a time of changes after a severe financial crisis. The analyses purpose was to determine the reasons, or the way that the reasons would change, for buying different financial instruments, and also the way that the consumer perceives investing and saving. Different demographical characteristics and their influence on the financial behavior of the consumers were also studied. The investor behavior on the developed markets is being studied carefully for many years. The need to create financial products for each customer type, such as Generation Y, intensely investigated by various research teams, in different ways, resulting in different characteristics such as general proclivity to the marketing, advertising, consumerism, branding, environmental issues, fashion and even anxiety begins to be felt also on the Romanian market. So, to better understand the actual degree of knowledge that the consumer have on the concepts of saving and investing and on that activities involved into this concepts is a very important step of the research. The research method is a survey based on a sample chosen with the simple random method undertaken in 2010. There were gathered 480 questionnaires. Research is not a statistical nationwide representative because of the lack of the financial and human capabilities. We expect that the methods of "investing" that are most known and used to be bank deposits because in Romania the risk appetite is a low one. The people's appetite for saving activities we expect to be motivated by the need for purchasing consumer goods, and eventually buying a car or a house but not the desire to accumulate capital by making real investments such as those in financial assets. An important factor for the decision to invest should be a higher income and also the family structure. Study could be interesting for researchers because it offers an opportunity to view an analysis of the customer behavior on the financial market. The research instrument is complex, the mix and the large number of question should provide an accurate image of the way the Romanian consumer of financial products think and act on this market. The study also helps to understand consumers' needs for practitioners, because this field is not a largely researched one. The originality of this article is given by the manner in which the questionnaire was made. The battery of questions, including a series of „likert” question, it should provide an accurate mirror of the know-how the Romanian consumer of financial products actually possess, the reasons on with their behavior is based on, and what are the most important characteristics that influence the purchase behavior.*

*Key words:*

*Consumer education, saving, investing, marketing research, financial market*

*JEL Classification*

*M31*

## **I. Introduction**

Understanding consumers is the core of marketing effectiveness, and yet this understanding in the financial sector is quite limited. For many potential consumers financial services are not a very interesting acquisition, being perceived as an extremely complicated one. The potential consumers often have difficulties to identify differences between a financial product and other. At the same time consumers are finding it difficult to make the products assessment before

purchase therefor when they actually decide to purchase they might perceive very high degrees of risk. Because financial products do not generate consumer happiness, sometimes being perceived as a factor of reducing pleasure consumption, are often seen as "exhausting shopping" (Ennew and Waite 2007: 128). According to Kotler any economic activity should aim to meet demands - actual and potential - customers with maximum efficiency (Kotler 2008: 4). Orientation towards the needs of the consumer business, the meeting, must be based, a thorough knowledge of these requirements, systematic tracking and even anticipating their scientific (Cătoiu and Teodorescu 2004: 13).

## **II. Literature review / previous research**

As Fanelli and Erlich say in their study, financial means money and money means an extended emotional baggage (Erlich and Fanelli 2004: 7). Individual attitude toward money is an extremely emotional one. Unlike consumer goods when taking the decision to purchase a financial product you do not buy one brand but rather rely on the advice of financial intermediaries in the final decision (Lewis 2008: 105).

Stafford, Lusch and Kasulis suggests that individuals can purchase all types of financial products in a specific time, however products are purchased for longer periods of time in such a way as to satisfy the utility function. They also say that sometimes consumers must not only decide between various alternatives of spending the money, but also if to acquire or to save the respective amounts (Stafford, Kasulis and Lusch 1982: 397).

In the literature there are treated different reasons for saving based on Keynes eight saving reasons including "Precaution" that means ensuring a reserve against unforeseen circumstances, "Foresight" which includes insurance against possible events such as the differences between revenue and expenses or the "Calculate" which means raising money in order to earn interest (Keynes 1936: 78). Wärneryd mentioned four reasons of saving based on the need to save as "a continuous habit", "precaution", "bequest reason" or "profit motive" (Wärneryd 1995: 28). Other reasons for saving aimed "retirement", "holidays" or "rainy day" (Harris, Loundes and Webster 2002: 207).

In the article we aim both to determine which the main reasons for saving are and also to see the perception of the interviewees over the preferred investment instrument. From we might be able to realize a characterization of the potential financial products consumer.

## **III. Methodology**

Right from the start we stat that the research is not conclusive, but an exploratory one. As a research method chosen was to achieve a survey. The questions were introduced in an omnibus-type research carried out in summer 2010. The research carried out in 2010 was based on the results of another research driven in 2009 and the research tool has been improved based on its' results analysis. Research is a doctoral research type from here the small number of questionnaires and statistical unrepresentative degree. 500 questionnaires were applied and 478 among of them entered in the analysis.

Study objectives are:

1. Perception research on the concepts of saving and investing;
2. Determining the motivation of saving-investment in our country;
3. Determining the characteristics of people with a greater appetite for investment;

Assumptions on which we left were the results of the previous research, namely that the people knows the concepts of saving-investment but for different reasons, particularly lack of money does not have a coherent investment behavior.

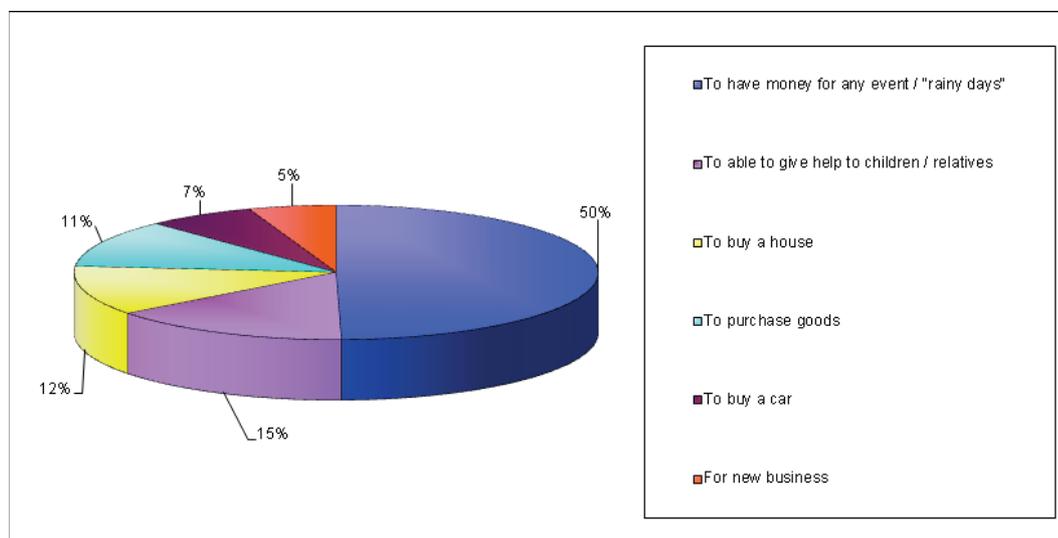
#### IV. Results

We left from the research purposes, namely to describe the behavior of consumers of financial products focusing on the analysis of Likert-type questions.

To answer the first objective has been made a series of two closed questions as to the meaning that respondents gave to the concepts of saving and investing. Thus 66% of respondents see the savings as a reduction of expenditure, 20% see savings in terms of its definition namely “that part of disposable income that has not been used to purchase consumer goods but was accumulated for a use later” (Ennew and Waite 2007: 35), 12% are saving for “the safety of tomorrow” for “rainy day” and 2% say they save through energy efficient equipment.

Regarding the concept of investment is more clearly known, more than half of respondents understanding by investing the multiplication of money. 18% mean by investing to put money into a business, and 8% see investing through the acquisition of property and land, also very close idea of what the concept means from economic point of view. 12% see investing as a means to improve their own or children education and 10% as a way of purchasing durable goods for the family.

The need for security, from the viewpoint of the respondents is the most important, over 50% of respondents nominating it as the main reason for saving. Other reasons for saving 15% think the help they can give their loved ones and 30% save for future purchases such as houses, cars and durable objects. (Fig. nr. 1)



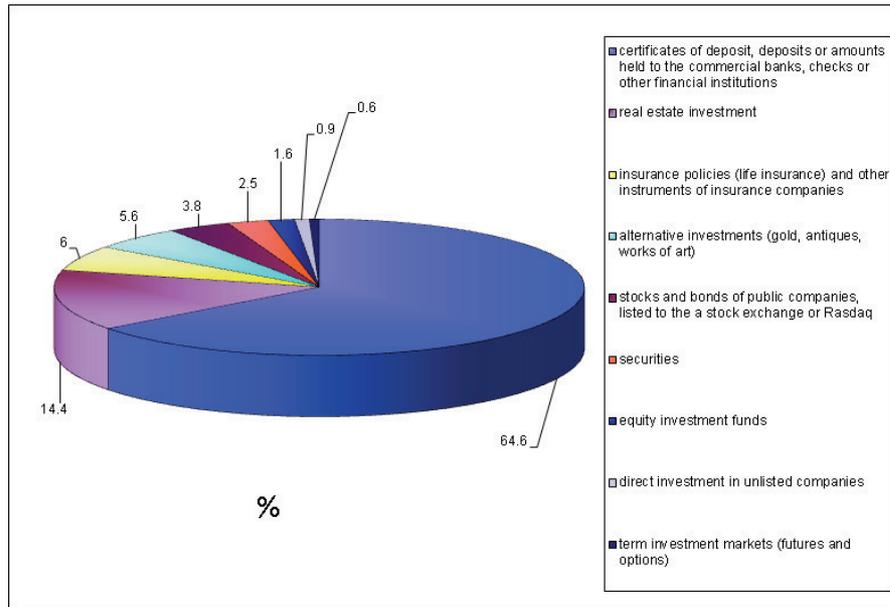
*Fig. 1: Which is the main reason for saving? (made by author)*

From the research presented by Canova results that Europeans save at a rate of over 40% also for security reasons, but here things are changing, almost 39% saving for themselves “for their own respect”, to give children help save nearly 8% and shopping (purchases) reasons only 3% (Canova et al. 2005: 21). These differences may come both from our communist past, we were deprived of many goods and now we need to compensate those shortcomings, or that we are a poorer society and we want to ensure a safer future for us and for our families as well.

Paas argues that there is an order in purchasing financial products that consumers tend to respect. Thus, deposit accounts will be acquired before investing in mutual funds and ultimately will turn their attention to investments in shares (Paas 1998: 353).

This is verified in our research also, by far the most used means of saving / investing are collaborations with banks, nearly 65% of the responses, nearly five times more than the response that ranks 2<sup>nd</sup> place 14.4% real estate investment. Investments in shares and bonds collected only

3.8% of responses, while investing in the futures market are only 0.6%. This shows that Romanian market is an undeveloped financial market, which is true from our point of view.



**Fig. 2: The preferred investment mean. (made by author)**

If we consider the preference for banks and securities rather as savings instruments and for real estate, insurance, alternative investments, stocks and bonds, investment funds, direct investments and term investments rather as investing instruments, we can say that the studied population is rather orientated towards savings then investing, further confirming the need for security. In research we've added a battery of Likert statements on preferred mode of investment. We have shown in the graphic below (Fig. no. 3) the responses of those who chose as the preferred instrument means orientated towards saving and also the responses of those who chose preferred instrument means orientated towards investing. We split the responses and said that ones have savers thinking and others investment thinking, meaning savers and investors for easier saying.



**Fig. 3: The statements mean on to the preferred mode of investment (made by author)**

Thus savers say they found it easy to choose the way of investment, while investors registered a slightly positive score. Greater risk was found to investors than to savers. Also, the investors and the savers say that the investment has justified the risk taken, but investors have a score almost double registered. With regard to investment earnings, the data do not differ greatly between investors and savers. The answers to this question also obtained the highest score of all questions, showing that those who have made decision in different forms money placement they had over all won, however, no massive losses registered. In front against the expectations of earnings, investors' responses were placed almost exactly on the score of 0, following and frequency distribution, we can say that there is an almost equal division between the earnings that exceeded expectations and have not exceeded their expectations. Instead savers say these gains haven't exceeded expectations. And yet they will use the same method of investing while investors are not so keen. In terms of emotions seems investors are slightly better, they say that they hadn't registered any emotions with the chosen instruments although the risk was higher. Meanwhile savers say they had some emotions regarding the earnings. The last statement is a bit bizarre, though savers said they would call the same method of investing any time they declare that in the specific period of time they could choose something more profitable. It looks as they might have studied the market and had information on more profitable instruments but the need for security is the one that conduce their decisions. Investors in turn say they couldn't have chosen something more profitable. Taken the statements mean on all demographic groups shows that men say it was easier to decide how to invest than women, that young people between 18 and 25 with those over 46 years has been slightly easier compared with those between 26 and 45 who looked more profound. Well-educated people and those with post graduate school say it has been easier to choose than those with only school and college. An interesting response is the one depending on household income, those with low incomes and those with incomes between 5,000 and 7,000 lei says it was probably easier to pick each for different reasons. The hardest part of it was 7,000 lei, although less in number, investment amount was probably a bit higher and the decision was taken very responsibly. Those who live with their partner, without being married has been the hardest decision to invest in the easiest parts have been those who are single now but had a divorce or widow experience. Those with children have been harder to make the decision to those without children. In terms of occupation, although we do not have enough cases for more classes we can say that, senior civil servants or those with leadership experience have been most difficult to choose. On the other hand students and pensioners have said it was easier, here is probably an indirect influence on income levels and of the chosen instrument not of the position itself. Between Bucharest and the provinces there are not notable differences between the two groups. Regarding the issue of risk, was perceived more higher by women, those between 36 and 45 years and more than 65 years, the school only and those with low incomes, those living with a partner without being married, those with more children, managers, and rather the province. For the statement regarding justify on risk taking, women more than men inclined to be agreed with this statement, like those between 36 and 45 years and those who have as the last school graduated the school. In terms of incomes, those with income between 3501 and 5000 lei recorded the highest score, the lowest being recorded by those with incomes of more than 7,000 lei. Those living with a partner without being married to the greatest extent in saying that the investment has assumed the risk taken and the lowest score is given by the divorced and widowed. Those who are in a greater measure of agreement with this statement are those who have two children. Generally those with children recorded higher scores than those without children. Officials and senior administrative officers and managers, as well as students and even unskilled workers believe that the investment justified the risk taken compared with pensioners, workers and technicians operatives. The province agrees to a greater extent that justified its investment risk than those who are in Bucharest

For the statement “The investment recorded gain”, men are more able to disagree with it, as well as the very young and the very old, those with high school, those with the lowest incomes, those who are living with a partner, those with two children, senior officials and managers, students and people in the province.

For the next statement, that the level of earnings exceeded expectations, we can say that men are easier to please than women, also satisfied are those over 65 years, those with only school and those with revenues between 2001 and 3500, those divorced or widowed, and those with children. At the opposite pole are those with incomes over 7000.

Those who would call the same method of investing are men, those aged between 46 and 55 years, those with post-graduate studies, those with revenues between 5001 and 7000, although those living with a partner but not married, those with one or two children, senior civil servants, managers and students, and those from the province.

Emotions for the earnings had older men, those between 56 and 65, those only with school, those with incomes between 3501 and 5000 lei, those living with a partner without being married, and those with more than two children, senior civil servants and managers. From this point of view there aren't differences between Bucharest and the province.

Regarding the last question, that concerning the possibility of investing in something more profitable. Men are only slightly more determined than women in this regard. Those over 65 years recorded the highest score, those only with school, those with earnings above 7001 lei, those living with a partner without being married, the childless, specialists with intellectual and scientific occupations and with very little before those in the province.

## **V. Conclusions**

The research carried out showed that Romanians have a financial education on average. Roughly know the concepts of saving and investing. As reasons for saving the forefront lays the need for security. As the preferred means of investing, over 60% of respondents chose bank deposits. Another conclusion of this study is that Romanians invest what they have especially in consume, products and daily living needs swallows almost all the resources they have. That's why people spend money on consumer products or if they have patience and ambition to save for a "good investment" in the future, perhaps a house or a car.

The analysis of responses to Likert questions arise as though the mentality of investors are fewer in number, as expected, the profile and their responses are not very different from that of the savers. We expect them to have more aggressive responses, in turn observe answers only slightly different from those of savers. We can draw such a conclusion that investors still have a very low appetite for risk. A profile still looming, the mentality of investors are more likely male, younger, unmarried and without children with income above average with a job with responsibility. And those with savers mentality are rather family man, with children, being in middle age.

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