

The Ministry of Science and Higher Education of the Russian Federation
Russian Presidential Academy of National Economy and Public Administration
under the President of the Russian Federation,
Federal State Budgetary Educational
Institution of Higher Education

Not for publication

OLGA YU. BAKHTINA

**TRANSFORMATION OF FINANCIAL BEHAVIOR
OF THE POPULACE
IN THE CONTEXT OF DIGITALIZATION**

Specialty 08.00.10 — Finance, Money Circulation and Credit

Abstract of the dissertation for the degree of Candidate of Economic Sciences

Supervisor:
Doctor of Economic Sciences, Professor

Natalia V. Bondarchuk

Moscow, 2020

Significance of the research topic. The transformation processes that take place in the modern Russian economy due to digitalization have resulted in a change in public consciousness and finance related values. Today, the society is faced with the introduction of digital technologies that have given rise to a powerful generation of new developments, skills and attitudes to cause a chain reaction and the need to refine personal finance approaches. Changes in financial behaviors can be regarded as a way for the populace to respond to the current situation, which is aimed at creating opportunities for the financial management process and ensuring relationships that would enable the subject to achieve their life priorities.

Bearing in mind that, although an individual is viewed as a primary building block of the economic system, the populace in its entirety has significant financial resources that are an essential source of the investment process, which means that the ability of economy to overcome negative external / internal shocks and adapt to changing social, economic and technological settings largely depends on an individual's financial choice and financial behavior.

A detailed study of financial behaviors of the populace, as well as of the affecting factors and motives makes it possible to successfully implement financial policies of both specialized financial institutions and the government. Without appropriate information, decision-makers run a risk of the government development programs being unsuccessful.

From this point of view, the identification of typical financial behaviors in modern young people as primary agents of new patterns being developed in the context of the emerging digital economy in the Russian Federation is undoubtedly of scientific interest.

Degree of the problem elaboration. Theoretical and methodological issues of behavioral finance and money related behaviors of individuals as a whole are explored in the works by domestic scholars, such as I.A. Aliyeva, G.V. Belekhovaya, Yu.V. Burdastova, O.Yu. Dmitrieva, N.A. Dmitrieva, N.N. Zarubina, M.S. Shcherbal, A.V. Yarashevaya, *et al.*

Publications by N.S. Gadzhiganova, A.Sh. Galimova, I.M. Dudina, I.Yu. Izosimova, M.S. Kuzhakhmedova, D.V. Latynin, D.O. Strebkov and others focus on certain aspects of the financial behavior, such as credit behavior or saving behavior.

The studies of individual financial behaviors in other countries include works by I. Ajzen, D. Kahneman, M. Powell, H.M. Sheffrin, H.A. Simon, O.A. Stolper & A. Walter, R.H. Thaler, A. Tversky, J.J. Xiao, M.W. Ford & J. Kim, *et al.*

Transformations in money related behaviors of the ‘digital generation’ as a whole or related individual issues are discussed in Russia in works by N.V. Bogacheva, S.S. Maletin, Ye.V. Spivak, and other scholars.

The present-day academic papers exploring this problem focus on certain issues of financial behaviors of the populace, either credit behavior or saving behavior; however, there are no comprehensive studies of the financial behavior that would also pay due regard to its diverse modalities. Furthermore, there are practically no studies of financial behaviors of the digital generation, although a comprehensive analysis of some features of individual financial behaviors as part of the digitalization course being adopted in the Russian economy is without doubt of interest. This has predetermined the choice of both the target and the scope of our research, the related purposes and objectives to be solved.

The purpose of the research was to develop theoretical knowledge in behavioral finance and to give grounds for financial behavior patterns adopted by the populace in the context of digitalization.

In line with this purpose, we were addressing the following **objectives**:

- Explain how the concept of the ‘financial behavior of the populace’ has been evolved;
- Generalize and systematize scientific concepts related to diverse issues of the financial behavior;
- Systematize the main trends in the financial behavior transformation in the context of digitalization;

- Propose our own step-by-step procedure to be applied in order to study financial behaviors of the populace, with due regard to external and internal factors;
- Review the main trends in per capita income as a primary source for the financial activity of the populace;
- Provide a comprehensive analysis for key indicators of the financial activity of the populace to identify its main patterns at the current economic stage in Russia;
- Build a methodology for identifying types of the financial behavior of the populace within its saving and credit modalities in the Russian Federation;
- Explore the core financial behavior patterns of the digital generation;
- Pinpoint features of the transformation in the financial behavior of the digital generation and identify emerging patterns; and
- Develop recommendations for how to improve the banking product of educational loan, given the emerging features of the financial behavior adopted by the digital generation.

The target of our research is the financial behavior of the populace.

The scope is a complex of social, economic and financial relationships that are developed while the financial behavior of the populace is changing in the context of digitalization.

Research hypothesis. It is assumed that in the circumstances of the emerging digital economy there is a significant change in the main financial behavior patterns of individuals, which dictates that the currently existing strategies for stimulating financial behaviors of young people through a variety of credit and banking institutions are modified accordingly.

Theoretical and methodological bases.

The *theoretical basis* of our research is the works by Russian and overseas scholars, which deal with money related and financial behaviors, multidimensional statistical methods, and economic and statistical analysis of dynamic trends in those indicators that reflect various features of people's financial activity.

The research tools include both *general scientific methods*, such as formal logic and dialectical logic, comparison, and article review, and *special methods*, including time series analysis, economic and statistical comparisons, grouping techniques, multidimensional classifications, factor analysis, and variance analysis. The special software products of Microsoft Excel and SPSS were used for processing the baseline information.

The reliability of the results we have had in the dissertation research is provided through detailed objective setting, official source data, the proper application of data analysis methods involving the use of the appropriate application software suits, and relevant empirical research samples that were analyzed during the dissertation research together with the results validation against data available in other related publications.

The information and empirical framework includes:

- Documentary (including statistical) sources, such as legislative and regulatory legal acts of the Russian Federation in the field of banking, data from the Federal State Statistics Service, official materials of the Central Bank of the Russian Federation, and data of the International Monetary Fund (IMF);
- Empirical data that was obtained in the surveys conducted by the Russian Public Opinion Research Center, data generated by the RANEPa Center for Sociological Research in the implementation of the Eurobarometer in Russia project, and results of the survey conducted by the Russian State Social University in 2019 among young people aged 17 to 21 in twelve federal districts of the Russian Federation (the total sample size was 1,600 people);
- Data sourced from periodicals and scientific publications, materials published on official websites and electronic media.

Topic conformity with the Specialty Description provided by Higher Attestation Commission (VAK). The scope of this dissertation research accord with Paragraph 4.3 of *Methodological Principles for Determining Monetary Income and Savings of the Populace and Their Differentiation by Population*

Groups, Paragraph 4.9 of *Behavioral Finance: Personal Characteristics and Typical Behavior of an Individual in Financial Decision-Making*, and Paragraph 10.22 of *New Banking Products: Types, Creation, and Implementation Methods*.

The scientific novelty of the dissertation research is provided by the complex analysis methodology we have developed and the identified financial behavior patterns adopted by the digital generation.

The comprehensive nature of the research is achieved through the assessment of the core financial behavior patterns within a single analytical model that takes into account the saving and credit modalities of an individual's financial behavior to render the results more objective and reliable.

The most significant results that provide the novelty of our research are as follows.

1. Based on the integrated approach to the financial behavior of the populace, we have identified its features, which made it possible to describe the meaning of the 'financial behavior of an individual', with due regard to its key components, i.e., the locus (belonging); institutional specificity; development environment; and phases of realization (Paragraph 4.9 of the VAK Specialty Description).

2. We have systematized features of the financial behavior transformation in the context of digitalization. These features include: a) self-identification; b) life priorities; c) communicative behavior; d) values; and e) psychological resistance to financial stress (Paragraph 4.9 of the VAK Specialty Description).

3. Based on the analysis of trends in per capita income as a primary source of the financial activity of people and the regional cross-grouping depending on the per capita income distribution, as well as on the subjective financial assessment, we have identified financial strategies that are typical of people in different regions of the Russian Federation. The arrangements for implementing such strategies for regions belonging to different types have been

proved to differ significantly from each other (Paragraph 4.3 of the VAK Specialty Description).

4. We have developed a methodology to identify types of the financial behavior of the populace, including its saving and credit modalities, and the dynamics in key indicators of the financial activity in the financial markets (Paragraph 4.9 of the VAK Specialty Description).

5. It is well-founded that in today's realities of digitalization there are fundamental changes in finance related values, and the 'digital youth' is proved to be the principal actor of the changes. Based on our own step-by-step procedure, we have identified behavioral patterns adopted by the digital youth in financial decision-making, which are different from the financial behavior types pertaining to the populace as a whole (Paragraph 4.9 of the VAK Specialty Description).

6. We have created and tested our own version of the banking product of educational loan, which is based on the evolving financial profiles of the digital youth and closely linked to the national development priorities (Paragraph 10.22 of the VAK Specialty Description).

The practical significance of the research is provided by the development of conceptual approaches in behavioral finance, which make it possible to comprehensively identify patterns and features of individual financial behaviors at the current economic stage in Russia. From a practical point of view, the research is aimed at ensuring the unbiased nature of the management decision-making process at various levels in view of an increased financial activity of contemporary young people, depending on their financial profiles that have been developed in the era of digitalization.

The practical significance of the dissertation lies in the fact that the results help:

- Improve the information, analytical and tool framework for identifying typical financial behavior of the digital youth;

- Expand the empirical framework in studies of personal characteristics and typical behaviors of the digital generation in the financial decision-making process; and
- Increase the validity of decisions in the development of customer-oriented products in different financial institutions, which would make it possible to respond to personal characteristics of the digital generation.

The results of the dissertation research can be used in practice by banks, insurance companies and investment funds in order to develop adaptive strategies and specific financial products targeted at representatives of the digital generation.

The results can also be used in teaching, e.g., Finance and Behavioral Finance.

Structure and size of the dissertation. The dissertation consists of the Introduction, three chapters, Conclusion, References, including 229 source items, and 13 Appendices. It contains 207 pages of typewritten text (excluding the References and Appendices), 22 figures, and 27 tables.

The *Introduction* demonstrates the topic significance and the degree of the problem elaboration, sets out the research purpose and objectives, explains its scientific novelty, theoretical and methodological bases, and describes the information and empirical framework, the theoretical and practical significance.

Chapter 1 reviews the evolution of the concept of the ‘financial behavior’ and analyzes scientific approaches adopted in studies on financial behavior. Furthermore, it provides a Strauss-Howe theory based classification of generations and outlines prerequisites for the transformation of an individual’s financial behavior in the context of digitalization.

Chapter 2 formulates a methodological approach to the financial behavior and outlines the affecting exterior and interior factors. It also contains an analysis of the main trends in the average per capita income as a principle source of the financial activity. In addition, the author has analyzed how key indicators of the financial activity in the financial markets have been changing, including purchases

of foreign currencies and real estate, the dynamics of deposits and loans, etc., and identified types of saving behavior and credit behavior in the Russian Federation.

Chapter 3 identifies and analyzes the core financial behavior patterns of the digital youth and provides a classification of financial behaviors adopted by the digital generation to propose a new version of the banking product of educational loan based on the features identified.

The *Conclusion* outlines the most important findings and suggestions resulted from the research.



O.Yu. Bakhtina