

**A summary of a doctoral thesis**  
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**„The behavior of households of the self-employed on financial services market”**  
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This doctoral thesis takes on the issue of the behavior of households in the financial services market. This market is a subject to dynamic changes affecting the multitude behavior of households and financial institutions.

There is an information gap resulting from the lack of complete and detailed data on savings and debt of households with regard to their division into socio - economic groups. This problem is rarely described, due to the tendency to conducting research on individual consumers, as well as difficulties in collecting empirical data necessary to carry out a comparative analysis between different socio - economic groups. Therefore, it is advisable to verify the degree of differences in the behavior of households belonging to various socio - economic groups , as well as to identify the similarities between them.

Taking into account the division of households by socio - economic groups, it should be noted that not all feel the changes in their micro and macro-environment with equal force. The group, that is the most susceptible to changes in the macroeconomic environment are households of the self-employed. The criterion for their separation is the main source of incomes, coming from self-employment outside agriculture. This is a group, which in years 2004 - 2014 had the highest disposable income, incurred the highest expenses and was the best-equipped in durable goods. In this period it was characterized by the highest share of households assessing their financial situation as good or rather good and least likely concerned the problem of poverty. However, in periods of stagnation their disposable incomes were growing slower than remaining households income.

Comparing to other groups of households, the self-employed have additional experience in financial management gained while running their own business. At the same time they are experiencing conflicts resulting from partners' different expectations in terms of income distribution (on investment, saving or consumption). Problems faced by entrepreneurs, have an impact on choices they made, also in the sphere of household, to which they belong, consumption. Analysis and diagnosis of the situation of households of the self-employed is important, among other things due to the creditor relations. In case if the

entrepreneur whose liabilities are unlimited is the best earner in the household, any perturbations can have a significant impact on the economic situation of the whole household. This group is therefore an interesting object of study in the field of their behavior on the financial services market.

Considering the indicated gap, the main objective of the study is presenting the characteristics of the households of the self-employed behavior on financial services market, against the behavior of employees households. The theoretical aim is developing a typology of households of self-employed in terms of saving and borrowing.

The main objective was supplemented by specific aims:

- presenting the characteristics of the financial services market in Poland,
- collecting and systematizing scientific achievements in the field of households behavior in the area of saving and borrowing,
- characterizing the decision-making process on the financial services market by the households of the self-employed,
- identifying of factors affecting the behavior of households of the self - employed in the financial services market.

The methodical aim is indicating methods and techniques most appropriate to identify the behavior of households of the self-employed in the financial services market, together with presenting on optimal indicators and methods of the results analysis. The application aim of the research is implementing the knowledge on the behavior of households of the self-employed and employees on the financial services market by financial institutions.

To verify the most important relationships and dependencies that exist in the studied area, following hypotheses were considered. The main hypothesis is the assumption that households of the self-employed behave on the financial services market consciously, searching for market information, verifying financial effects of their decisions, rather than household workers.

Referring to the theoretical aim, a hypothesis according to which it is possible to extract homogeneous types of households due to their behavior on the financial services market was considered. Additionally it is believed, that among the households of the self-employed, dominates a type which is characterized by maintaining a low level of savings and financial liabilities.

The specific hypothesis were as follows:

- the structure of supply in the financial services market in Poland favors incurring long-term debt and accumulating savings in the form of liquid financial assets by households,
- households of the self-employed and employees dispose significantly different levels of savings and financial liabilities and have different interest in the financial services market offer,
- the self-employed households save mainly due to the motive of assurance;
- the self-employed households incur liabilities primarily to finance the start or development of their own business;
- the main criterion for the selection of sources of external financing in the case of the self-employed households are simple procedures to apply for funds and minimize documentation requirements;
- households of the self-employed have a better evaluation of the benefits of saving and debt service costs,
- the factors differentiating the behavior of households whose main source of income is both self-employment and salaried work, include gender and age of household's head.

These aims determined the scope of households behavior on financial services market. The subject is the behavior of households of the self-employed in the financial services market, in the area of the use of external sources of financing, as well as savings. The subject of research are the households of the self-employed against employees households. The time span of the secondary research is the period from 2004 to 2015, while primary research was conducted in 2015.

The structure of the work can be divided into three layers - the theoretical, methodological and empirical. This doctoral thesis consists of six chapters, introduction and conclusions. The first three chapters are theoretical, the fourth chapter presents the methodological aspects and the last two chapters are empirical.

The first chapter presents the characteristics of households in Poland, including the comparison of their behavior on the financial services market to households from selected European countries. It also presents a group of households of the self-employed as a market participant.

The second chapter presents functioning of the financial services market. Particular attention was devoted to saving and indebtedness of households. Moreover it presents the development of the financial services market from the supply side.

The third chapter presents the different concepts relating to the behavior of households in the financial services market. It also takes into account the concept of financial needs and their structure, and provides an analysis of selected factors affecting the behavior of households in the studied area.

The fourth chapter is methodical and contains a synthetic presentation of information sources about the behavior of households. It also includes the results of a systematic literature review about the behavior of households in the financial market and the methodology of conducted primary research, indicating methods and the procedure, that were used.

The next two chapters, fifth and sixth, are empirical and include the results of conducted survey. The fifth chapter presents a comparison of the behavior of the self-employed and employees households on the financial services market. It also presents factors that influence the decisions in the area of saving and borrowing.

The sixth chapter presents the results of the self-employed and employees households typology and presents their characteristics. The analysis indicated that belonging to various socio - economic groups differentiate significantly the behavior of households in the financial services market. The results of the typology allowed to present recommendations on how to construct a marketing strategy for financial institutions and identify the types of households, which require greater support from government agencies.

As the most appropriate method of identifying the behavior of the self-employed households in the financial services market is a survey. As an appropriate measure of these behaviors, four scales were proposed - two in the area of saving and two in the area of borrowing. The common denominator of the behavior of households in the financial services market can be treated as a basis for application of the appropriate methodology of their research in the future.

Results of this study indicate that households in Poland increasingly take action to optimize their income situation. At the same time, there is an increase in the importance of education and skills, as well as health, which are essential to face external challenges. The increase in life aspirations results in the increase of needs and delivering financial sources, necessary to fund the unmet needs.

A wide range of the market offer and a significant number of financial institutions offering debt products, as well as the credit policy of banks contributed in recent years to a significant increase in the level of debt of Polish society. This is due to a significant increase in the number of households which incur liabilities to finance the purchase of a house or

apartment (an increase of 16 percentage points over 11 years). At the same time over the years 2004-2014 more than 2.5 times increased the total value of financial assets being at the disposal of households. It is estimated that in year 2014 about 40% of households in Poland possessed savings, while in year 2011 it was only 30%. Households indicate that savings for them are particularly important because of their ability to provide a sense of security. Therefore, they maintain savings accumulated mainly in the form of bank deposits and cash.

Households, both of the self-employed and employees, differ significantly in the selection of household members involved in the decision-making process - in both cases, decisions most often are taken jointly by partners, but in households of the self-employed more often these decisions about choice of the financial offer are undertaken only by those who earn the most. Households of the self-employed far more frequently monitor changes occurring in the financial services market on a regular basis, rather than employees households. Less often they do not allow themselves to calculate costs associated with their liabilities. Moreover, their expectations regarding the benefits of saving are more often consistent with the results obtained in reality.

The behavior of the self-employed households is significantly different from that of employees households when considering the level of interest in the subject of a financial market offer, level of savings and liabilities held by household (which are higher in relation to the value of revenue, than in employees households), perceptions of the level of held savings (more often they are satisfied), effects of indebtedness (often borrowing is associated to them with a better use of their assets and abilities, and to a lower extent, acceleration of consumption).

The major saving motives, both for households of the self-employed and employees, are collecting funds that could be spent in unforeseen circumstances and to prepare for a change in the future in the change between income and needs of an individual consumer or household. Among the reasons for borrowing dominates in households of the self-employed the establishment or development of own business, financing investments or significant spending. While in the group of employees households dominate significant spending, investments financing and current expenditures.

The main criteria taken into account when choosing the offer of savings and liabilities incurring are safety and cost factors (evaluated as important or very important by more than 85% households of the self-employed and employees). Simple administrative procedures as very important or important are evaluated by more than 77% of the self-employed and more than 75% of employees households, and short-term administrative

procedures by more than 70% of households of the self-employed and 73% of employees households.

Households, both of the self-employed and employees, whose head is a woman, often are not interested in searching for information on finance and are less likely to follow the market on a regular basis. The disparities are smaller in the group of the self-employed. Households, in which the higher earner is a man are less likely to declare lack of savings, as well as lack liabilities. For households where men earn more savings more often are associated with a sense of security, and for those in which women earn more - with an increase in the sense of independence. This applies both to households of the self-employed and employees. Gender of the self-employed households head does not differentiate perception of liabilities. While comparing households according to gender of the person who earns the most, it should be noted that the hierarchy of the saving and borrowing motives in the households of the self-employed is less diverse than in employees households. Gender of the head of household does not differentiate significantly the sources of information on saving and borrowing used by the self-employed household. The exception is the Internet, that is more often used by households in which the highest earner is a man. Gender does not affect undertaking negotiations with financial institutions by the self-employed households, employees households more often take negotiations with institution, if the woman earns more.

In the group of self-employed with an increase in age of the person earning the most, the share of households whose savings exceed the value of their annual income and those who do not have financial liabilities rises. At the same time there is a decrease in share of households with minor problems in loans repayment and those who believe that their level of debt is unsustainable without special sacrifices. With increase of highest earner's age there is a changes of the financial liabilities perception – a decrease of share of households to whom borrowing and lending is associated with better use of their skills, and increase share of these for whom it is associated with acceleration of consumption. At the same time there is an increase in share of households that do not count the real cost of debt. Moreover with age rises the share of households for which savings give independence and decreases the proportion of households for whom savings provide a sense of security. The older the households head, the lower the proportion of households in which decisions on financial services choice take partners together and the higher of these in which decisions are taken by all household's members. Moreover due to the age of the households head, varies decision-making on the market offer selection – in older households decreases the share of households that are not only seeking information and discussing the advantages and disadvantages of

potential solutions, but also negotiating with institutions, and increases share of these in which decisions are taken fast, on the basis of a few offers analysis.

To achieve the theoretical aim, a typology of households behavior in the financial services market was conducted. Three types of households were distinguished in the group of the self-employed (*gambler*, *determined* and *conscious*) and in the group of employees households (*carefree*, *comfortable* and *prudent*).

*Gambler* households agree with the opinion that they should satisfy their needs at first, and then save the remaining funds. Investing is more interesting for them than saving. They believe that it is worth to spend savings to develop own business. These households are looking for information on finance, mainly only if the need arises. Mostly in these households partners take financial decisions together. However in this type decisions are also often taken only by the person who earns the most. The decision process usually lasts no longer than a few days, although this is a type in which households also benefit from the first offer, which they achieve and more often than in other types, select only those institutions whose clients they are. The highest share of *gambler* households do not possess any savings. In this type frequently possessing savings is identified with a sense of security, and with increase of independence.

*Determined* households are focused on consumption, however they recognize the importance of saving, which for them is just as important as investing. Moreover, they tend to agree that salary always should be shared on consumption and savings. They tend to spend savings on developing their own business, and they are searching for information on financial services market offer mainly if they have such a need. More often than *gamblers* they keep abreast of market offer. Most often in these households partners take decisions together or decisions are made solely by the head of the family. Most of *determined* households possess savings on the level of their one to six months income and have no debt. When choosing form of saving, they base on security and interests rates level, as well as fees and commissions.

*Conscious* households evaluate investing as more important than saving and consuming. They agree that income should be always shared for savings and consumption. They strongly disagree with the opinion that the higher standard of living nowadays is more important than developing own business, nor with opinion, that accumulating deposits is better than investing in own business. In their opinion, developing own business is connected with expenses and sacrificing own needs. This type of households searches for information on finance on a regular basis or only in case of need. They often discuss possible solutions and frequently negotiate with financial institutions. For them, saving, to a greater extent than other

types, is associated with a sense of security, and to a lower with limited budget and an increase in the level of independence. *Conscious* households most often, in comparison to other types of households of the self-employed, possess liabilities.

Distinguished three types of households behavior on the financial services market are diverse not only in terms of the level of savings and liabilities, but also attitudes towards saving , borrowing and investing in their own business.

Taking into account the behavior of households types, it should be noted, that *gamblers* in the group of the self-employed corresponds to the type of *carefree, determined to comfortable*. The last couple of types with similar behaviors are *aware* and *prudent* households.

*Carefree* households agree, that first own needs should be satisfied and the remaining part of funds could be accumulated as savings. These households do not have a plan for financial management. When selecting debt and saving offer, they base on the level of interest rates, fees and commissions, as well as on security. They are not satisfied with their level of accumulated savings. Decisions on the financial services market are taken most often by partners together, but often involved are all members of the household. The choice of financial services takes them usually several days and is based on a few offers.

*Comfortable* households are focused on consumption, however, they appreciate the importance of saving. They agree that own needs should be satisfied first, however they make their best to save always a part of their income. They are aware that the development of own business involves many financial sacrifices. They do not always have a plan to manage household finances, not all are able to save regularly, so they incur liabilities, even if they have their own funds. When choosing financial services offer they evaluate highly a sense of safety, the level of interest rates, fees and commissions. Decisions in this type are taken often by the partners together, all household members or only by the person who earns the most. The choice of financial services usually takes them a few days.

*Prudent* households agree that income should be shared for consumption and savings. For them saving is as important as investing in own business. If necessary, they agree to scarifify savings to develop their own business. They do not agree with the opinion that a higher standard of living nowadays is more important than developing own business.

Among selected types of households, the most numerous are in the group of the self-employed – *determined* (43.5%) and in the group of employees - *prudent* (37.9%). As a result, it was confirmed that dominates the type of *determined*, characterized by the lowest level of liabilities and savings in the group of the self-employed households. However their level of

debt and savings remains higher than in the case of *prudent* households, which represent the highest level of liabilities and savings among employees households.

For the application aim important is to carry out a typology of households, which can be used as a base for segmentation and defining the capacity of the financial services market. Researches outcomes allowed to present relevant proposals of strategy based on the marketing mix (4C). Three strategies were proposed - *hand-holding*, *partnership*, and the *golden middle*.

The *hand-holding* strategy should take into account the educational aspect, associated primarily with the help to overcome difficulties in the liabilities repayment and informing about the availability of savings. It should refer to *carefree* and *determined* households. *Partner strategy* should emphasize the exchange of information between financial institutions and the household, emphasizing simultaneous management of savings and liabilities. It should be dedicated to *gamblers* and *conscious*. Strategy of *golden middle* should be addressed to households *comfortable* and *prudent*. It require universal offer. Their needs include achieving information about the advantages and disadvantages of services in savings and debt, as well as possible ways of saving. To implement one of the proposed strategies, it is essential to know the behavior of households in the financial services market. The gained knowledge can help to increase the efficiency of marketing activities undertaken by financial institutions and increase the level of adjustment of market offer to the needs of particular groups of households.

Knowledge about the behavior of the self-employed and employees households may be used by decision-makers to affect the functioning of the financial services market, thereby increasing public awareness and stabilizing the country's macroeconomic situation in the area of financial systemic risk. It can also create a basis for the development of educational programs dedicated to households, which aim is to increase the level of financial knowledge of Polish society.

This doctoral thesis does not exhaust the issue of households in the financial services market behavior taking into account their diversity resulting from socio - economic groups, to which they belong. Therefore, it should be considered to further verify the behavior of households of remaining groups. In addition, the results should be complemented with verification of the state of financial knowledge - both objective and subjective. It should also be noted that the results of the research were presented in direct relation to a group that was not selected as a representative sample. Therefore, steps to verify them on a representative sample should be considered. In summary, it should be indicated that presented considerations

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do not exhaust the topic of the behavior of households in the financial services market. This subject still requires development, especially in the area of saving and borrowing. Researches may also be supplemented by other important areas, such as insurance.

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