Секція 4. Сучасні пріоритети розвитку фінансів домогосподарств
Sections 4. Fiscal-budgetary aspects of the development of household finance

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BEHAVIORAL FINANCIAL DECISIONS OF HOUSEHOLDS IN UKRAINE

Two models characterize the process of financial decision-making: classical (“rational”) and behavioral (“irrational”).

The classic model consists of theories in which a person is presented as an economic agent who must act rationally, process information effectively, and choose the best alternative from the possible options to maximize profit.

The behavioral model is based on theories that explore how people make financial decisions in real life, and which they do predictable and systemic errors. The basic idea of Cognitive Theory is that the behavior of an individual is determined by his/her mind and depends on personal contemplation, self-perception, and emotions. Perspective Theory describes how investors perceive profit and loss. Making experiments and empirical investigations, Kahneman and Tversky (1979) stated that loss makes a greater emotional impact on investors than gain [1].

The basic behavioral factors that affect the financial decisions of citizens such are heuristics, emotions, framing, the impact of a market, mental accounting bias, loss aversion.

In our research work, we used the results of the student sociological survey in which took part 150 citizens of different age categories from Ternopil city [2].

So an "anchorage" heuristics significantly influences financial decisions of consumers in Ukraine. In many cases, citizens make quick financial decisions without deep analysis and under the influence of marketing incentives (like price manipulation). Only 24% of the respondents don’t pay attention to the discounts and their consumer behavior is rational and impartial. Another part of citizens considers that discounted goods are a profitable purchase.

The heuristics “bandwagon effect” also influences the financial decisions of Ukrainians. The people respond very quickly on any negative information about rising prices on the commodities or bankruptcy of the bank. The people quickly panic and afraid of lose their money. For example, in case of appearing of negative information about the bank 22% of persons will immediately withdraw their deposits, losing interest income and the behavior of 23% of respondents will depend on the reaction of other depositors.

Ukrainian households are reluctant to make investment decisions. The main reasons are low income, distrust of financial institutions, self-doubt, and aversion to spending and risk. In most cases of investing money, households choose the way of least spends and risk.

There are often when people don't know and don't want to learn how to use financial services. Almost a third of the Ukrainians are not inclusive in the financial system, don't have deposit accounts, loans and use only a debit card [3]. 85% of Ukrainians don't support life in debt. Older people have a negative attitude toward loans but the younger generation is more tolerant of borrowings.

About 60% of Ukrainians keep cash at home due to lack of confidence in financial institutions. The level of trust is a major psychological factor that forces citizens to keep money "in-hands" and the situation becomes worse in recent years. In particular, if in 2015 the number of those who trusted financial institutions was 15%, then in 2017 – 53%. This was caused by the financial crisis and bankruptcy of a large number of banks in Ukraine during 2014–2017. Today, about 20% of Ukrainians trust financial institutions and only 3% trust completely financial institutions. However, it is paradoxical that despite such total mistrust, Ukrainians invest in the financial pyramids.

Such emotions as pessimism, depression and negative expectations have a negative influence on the development and welfare of Ukrainian households. Ukraine has 2nd in the ranking of the most pessimistic countries [4]. The Ukrainian government should anticipate the conditions of "happiness" in the development strategy of the country.

The effective strategy of financial literacy will increase the level of financial knowledge and skills of households also. It will help better understand financial risks, improve management of personal finance and make quality financial decisions. All measures have a positive effect not only on improving the standard of living of citizens but also on the financial market and activation of the investment process in the national economy.

Literature

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THE ROLE OF HOUSEHOLDS IN THE FINANCIAL SYSTEM

Financial relations in Ukraine do not involve households in identifying a family or community of persons that we may consider to be a family, which is more appropriate to the entomological meaning of the word. They would be the subject of financial relations if, in accordance with current legislation or the established practice of GDP distribution in Ukraine, the family or members of the family was subject to taxation or enjoyed tax benefits, or the wages of a person were dependent on whether or not a single person was in residence, married, whether or not she has children, how many children, etc. Given that there are no such conditions for distribution in Ukraine and we cannot make a prediction or they are possible at all in the future, the term «household finances» appears somewhat artificial in the existence of our financial system. Based on the established practice, the term – «individuals' finances», «population finances» or «personal finances» would be legitimate [1]. At the same time, we would like to point out that in Western financial science, the term «household finance» is often used and its existence is conditioned by the practice when the family itself is the subject who participates in the process of distribution and redistribution of the product produced in the country [2, p. 76; 3]. Given the fact that this practice, according to the author should take place in Ukraine, we will use the term «household finance» in the present.

The existence of a household as a subject of financial relations is characterized by the following features:

– Today it directly participates in the process of social production and, as a consequence, participates in the process of distributing the product produced in the country as its participant (receives financial resources at the stage of distribution);

– Participated in social production in the past and today enjoys certain preferences that affect the process of distribution of the manufactured product (receives financial resources at the stage of redistribution);