

Financial management and the evolution of the financial situation in Polish households in the period 2010-2017

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Received: 12 April 2018; Accepted: 5 July 2018; Published: 31 August 2018

Abstract. Incomes are the most important factor shaping the functioning of the household on the market. Thanks to incomes households can hold savings. There are also various forms of consumer credit on the market that are available to households. The aim of the presented article is to show the evolution and changes in the financial situation in the light of activities in the field of financial management in Polish households in 2010-2017. In the article dissertations were passed based on the literature and empirical research. In the empirical part the used results derive from the survey as of 2011 “Market behaviours of Polish consumers in the age of globalization of consumption” and 2013 “Consumers’ competence as a stimulant of innovative behaviours and sustainable consumption” as well as the research results published in the reports of the Public Opinion Research Center (CBOS) from 2010-2017: “Economic Conditions of Households”, “Material Living Conditions” and “Life Satisfaction”.

Keywords: households, financial decision, management.

JEL Codes: D14, E21.

1. Introduction

The behaviours of household on the market result on one hand from the preferences of its members and concern the choices of goods and services, on the other hand they are synonymous to economic opportunities of a given household, also described as wealth. Depending on the adopted definition, behaviour of the members of a given household, i.e. the behaviour of consumers, may consist of several elements. Source literature specifies mainly these activities which are connected with the choice of a specific good or service, and here the following can be enumerated: feeling the needs, giving them the position in hierarchy, acquiring information on the available

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subjects of consumption, making market choice between the available consumption means as well as final use of eventually selected subjects of consumption [Rudnicki 2000]. However it should not be forgotten that household members, in order to satisfy their needs, not only have to undertake purchase activities, but also the activities ensuring that they obtain necessary funds and manage them rationally (e.g. earning income).

The purpose of the present article is to show the directions of changes in financial situation in the light of the activities concerning financial management in Polish households in the years 2010-2017. Deliberations presented in the article were based on source literature as well as empirical research. In the empirical part, the results of research conducted in 2011 entitled "Market behaviours of Polish consumers in the age of globalization of consumption" [Włodarczyk 2013], the results of research conducted in 2013 entitled "Consumers' competence as a stimulant of innovative behaviours and sustainable consumption" [Dąbrowska, Byłok, Janoś-Kresło, Kiełczewski, Ozimek 2015] as well as the results of research published in the reports of the Public Opinion Research Center (CBOS) from 2010-2017 [CBOS 2017a-c] were analysed.

2. Financial management in households – theoretical aspects

In order to present the question of financial management in households it is necessary to emphasize that activities in this field match general definitions of market behaviours of household representatives (i.e. consumers). In source literature, there exist various definitions of consumers' behaviours which take into consideration not only the opinions of researchers specialising in economy and management, but also psychology or sociology. One of the definitions shows that the consumers, while satisfying their needs, make various decisions, which in turn influence their market behaviours. These behaviours can be divided into three main categories, with first two of them treated as activities on the market and the third category as activities within the household. The three categories of activities are [Smyczek 2001; Smyczek, Sowa 2005]:

- gainful behaviours;
- purchase behaviours as well as
- behaviours consisting in consuming or utilizing the subjects of consumption.

Importantly, from the point of view of deliberations in the presented article, it is worth adding that in the definitions of consumers' market behaviours, attention is paid to acquiring money (mainly gainful activities), however other aspects connected with managing the wealth possessed in post-purchase phases are not mentioned. This constitutes a certain gap.

Financial management in the household not only within the purchase processes, but also in the functioning of the household as a whole, is very important as all decisions, not only those purchase-related, are risky from the point of view of the market. In order to limit the risk connected with the decisions made, the so called

adaptation criteria [Zaleśkiewicz 2015; Maciejewski 2011; Jackoby, Chestnut, Fisher 1978] develop in the household.

Various factors influence the decisions made by household members as well as their final behaviour on the market. Incomes are very important factor shaping the functioning of the household on the market, together with savings accompanying them and the ways of taking consumer credit in its various forms. The amount of income as well as its source result from adaptation behaviours of households to conditions on the market. Incomes on one hand prove the activity of household members on the labour market, but on the other, make it possible to satisfy consumers' needs and preferences through purchasing goods and services. According to Statistics Poland (GUS), consumer incomes are spent not only on consumption goods and services, but also on savings growth [GUS 2018].

Household wealth constitutes a complex category and a uniform definition of this notion is absent in source literature. While defining the wealth of the household, it is worth mentioning the notion of net wealth used by the research network of European Central Bank – Household Finance and Consumption Network (HFCN). Net wealth reflects the differences between the value of assets and liabilities in the household [National Bank of Poland 2017].

In order for the household to be able to realise its goals, including in particular satisfying the needs of its members, it is necessary to undertake steps which will guarantee optimal utilisation of the wealth and financial opportunities of the household. Bywalec [2017] claims that this phenomenon is defined as *financial management*. Quoting the author, financial management in the household should be understood as (...) *all the activities of the members of this household consisting in obtaining funds and spending them according to the adopted household objectives*. Table 1 presents basic activities which form financial management process in a contemporary household.

Activities specified in Table 1 may constitute the example of financial management in the household. It should be emphasised here that in each household, only some of the abovementioned activities may be undertaken, as well as completely different activities may appear and their configuration and order depends only on the needs and preferences of household members.

In this way, financial management in the household should be treated as a set of specific activities undertaken by members of the household which guarantee the acquisition of funds (e.g. through work or setting up their own business), making it possible to keep a given standard of living matching the preferences of household members (e.g. purchasing goods and services considered attractive by the members of the household) and refer to such activities which are the most beneficial and satisfactory for household members. Financial management should consist in activities undertaken consciously in the household, aiming at rational utilisation of the accumulated wealth and avoiding unnecessary debt (or potential deepening of debt) [Bywalec 2017; Zaleśkiewicz 2015].

Table 1. Sub-processes of the financial management process in the household

Sub-processes of the financial management process in the household	Characteristics of the sub-process	Phases of the sub-process
Risk management	Types of risk in the household: resulting from fortuitous events, the risk of unemployment, the risk of decrease in consumption and the standard of living, the risk of responsibility, the risk of possessing financial assets. Attitudes adopted in the household with relation to the risk: protective attitude (carefulness), neutral attitude, inclination to taking risk. Risk management includes: awareness of the occurrence of risk and insurance awareness.	<ol style="list-style-type: none"> 1. Recognising the risk – recognizing and realising potential sources of threat; 2. Risk measurement and assessment – introducing factors measuring the effects of risk; 3. Choosing risk management method: avoiding, preventing loss, accepting the risk, risk transfer; 4. Implementing risk management method; 5. Assessing and modifying or improving risk management methods applied.
Wealth management	Wealth management concerns the management of material wealth. Important characteristics of the process are: wealth consumption, wealth renewability, moral wear, modernisation, costs of purchase, utilisation and liquidation of the wealth, way of using the wealth, factors decisive for the wear and consumption of the wealth (e.g. technical and utility qualities, changes in the size and structure of the household, development phase of the household, funds held).	<ol style="list-style-type: none"> 1. Purchasing the element/elements of material wealth; 2. Wealth exploitation; 3. Liquidation or modernisation of the wealth.
Capital management	Investments and liabilities, short-term and long-term, possessed and stored in order to achieve benefits in the future. They include among others: stocks and shares, securities, deposits, property and investment movables. Intangible assets – based on the knowledge and skills of household members (e.g. education, competencies, intellectual capital).	<ol style="list-style-type: none"> 1. Evaluation of investments and liabilities / intangible assets; 2. Determining the amount and structure of own resources; 3. Determining the liquidity of an asset; 4. Period of exchanging an asset into funds.
Budget management	Determining incomes and spending of the household within a specific period of time. Two basic budget management models can be distinguished: 1) centralised – funds are accumulated in one account and spending decisions are made jointly; 2) decentralised – household members have big independence in making financial decisions; only some funds are treated as common funds; the model is based on partnership and trust.	<ol style="list-style-type: none"> 1. Assessing incoming funds; 2. Planning the spending; 3. Developing financial surplus in a given period of time.
Savings management	Household savings are the difference between income and current consumption. Savings are often called past incomes. They are treated as funds which were in the past subtracted from the amount intended for free decision and were not spent. Saving consists in household members refraining from current consumption. It can be of voluntary character (independent decision) or compulsory character (legal obligations). What is more, deposits and investment are other forms of saving.	<ol style="list-style-type: none"> 1. Assessing current and future financial condition of the household; 2. Recognising market conditions connected with saving (among others interest rate, inflation, return rate, forms of saving, economic perspectives etc.) 3. Choosing the form/forms of saving.
Debt management	The opposite of household savings are different forms of loans and credits, which influence the level of debt. Debt can be defined as accumulated funds coming from financial institutions, mainly banks or other natural and legal persons, which enable earlier consumption of goods that households could not purchase due to low level of incomes. Household debts result usually from two aspects: seeking the improvement of living conditions or from a fortuitous event.	<ol style="list-style-type: none"> 1. Assessing current and future financial condition of the household; 2. Recognising market conditions connected with debts (among others interest rate, inflation, economic perspectives etc.) 3. Choosing the form/forms of spending.

Source: Author's own elaboration based on [Bywalec 2017; Bodie, Merton 2003].

3. Financial management in Polish households – research results

In order to assess the process of financial management in Polish households, research results will be presented in subsequent parts of the present article. The first of the presented studies was conducted in 2011 on a national representative sample of 1000 Poles (more about the research – cf. [Włodarczyk 2013]). The research showed that as many as 80% of those surveyed claimed that their household is in debt. The most frequently mentioned forms of debt were: cash loans (40%), payment for audio and video equipment or household appliances divided into instalments (33%), using a credit card (23%) or overdraft (21%). 86% of members of the group who claimed to be in debt declared to be repaying their liabilities on time. Unfortunately, only 36% of households declared to hold savings. Most frequently mentioned forms of saving included: money saved on current accounts and term bank deposits. In rare cases (2-4%), participants of the survey declared to invest in property, land or investment funds. It can thus be concluded that financial management at the beginning of the analysed period in Polish households was merely applied [Włodarczyk 2013].

Another research which constituted the source of information on the functioning of Polish households in terms of financial management was the survey conducted in 2013 on the group of 1000 Poles (representative national sample). The research was entitled “Consumers’ competence as a stimulant of innovative behaviours and sustainable consumption” (more about the research – cf. [Dąbrowska et al. 2015]). The results showed that the Poles are responsible consumers and try to use their financial resources in a rational manner. Nearly two thirds (64%) declared to buy only necessary things and do shopping with a list, 58% claimed that before making a purchase they compare the prices and try to choose the cheapest products and more than a half (55%) registered their spending as for them, it facilitated the management of the money they had. It is worth adding that the Poles taking part in the survey turned out to be sensible buyers as only 13% of them declared that they take a loan or credit when they want to buy something more expensive and the rest (87%) saved the necessary amount earlier. What is more, as many as 84% of respondents claimed that before they buy a more expensive item, they check whether they can afford it and only 16% would make a spontaneous purchase, irrespective of their financial situation at a given moment. In addition, 82% claimed that they manage what they possess in an economical way and buy only the necessary items and only 18% would buy best quality things, irrespective of their price. Thus taking into consideration the entire financial management process together with its sub-processes it can be stated that the elements of proper budget management are present in Polish households [Dąbrowska et al. 2015].

Subsequent research results, concerning financial management in Polish households, will refer to the years 2010-2017 and will show the most complete image of changing trends. The results of surveys conducted by CBOS in the years 2010-2017 show many positive aspects in financial management in Polish

household. The respondents were among others asked questions concerning their savings. Tables 2 and 3 present their declaration on the subject of savings in the years 2010-2017.

Table 2. Savings held in the surveyed households in the years 2010-2017

	2010	2014	2017
Yes	37	40	49
No	63	60	51

Source: [CBOS 2017b].

Note: Henceforth, if not stated otherwise, % of declarations.

Table 3. How long would it be possible for you to ensure the same standard of living for you and your household by spending only the savings you hold, without decreasing your standard of living?; 2010-2017

	2010	2014	2017
A few days	2	2	1
A week	2	2	1
2-3 weeks	3	3	2
About a month	16	15	11
2-3 months	24	20	25
4-6 months	22	26	25
More than 6 months	19	19	27
Difficult to say	12	12	8

Source: [CBOS 2017b].

On the basis of the data in Table 2 it can be noticed that the number of households holding savings is increasing. As in the year 2010 only a little over a third of households declared to hold savings, in the year 2017 it was already nearly a half. In turn, data in Table 3 show that in emergency situations, an increasing number of respondents could provide for their living using the savings they held. In 2010, 65% of respondents declared that their savings would be enough for more than 2 months. In 2017, the same value reached 77%.

Another issue analysed in the study by CBOS was the debt of households. The results and declarations of respondents are presented in Tables 4 and 5. On the basis on data in Table 4 it can be noticed that the tendency to take loans by Polish

households is decreasing. The percentage of those declaring their households to be in debt decreased from 46% in 2010 to 40% in 2017. However, when the Poles decide to take a loan, they usually use the offer of banks (Table 5).

Table 4. Debt of households; 2010-2017

	2010	2014	2017
Yes, and they are repaid regularly	39	40	37
Yes, but problems with repaying them occur	7	5	3
No	54	55	60

Source: [CBOS 2017b].

Table 5. Where have the loans, credits repaid in your household been taken?; 2010-2017

	2010	2014	2017
In banks	90	87	91
In the workplace or workers loans fund	13	12	10
In other non-bank credit institutions	10	10	8
From private individuals (family, friends, colleagues, neighbours)	8	12	7

Source: [CBOS 2017b].

Additionally, in order to assess financial condition of households, the respondents were also asked about other arrears and outstanding liabilities, such as for example unpaid rent, energy bills etc. The results showed that the decisive majority of households did not have such forms of debt, while the percentage of respondents declaring so amounted to 90% in 2010 and seven years later, it was higher by 7 pp (see: Table 6).

Table 6. Is your household currently in arrears with current payments, e.g. rent, energy bills, phone bills, taxes etc.?; 2010-2017

	2010	2014	2017
Yes, and they are gradually repaid	6	7	2
Yes, but problems with repayment occur	4	3	1
No	90	90	97

Source: [CBOS 2017b].

While assessing the financial situation of Polish households over the period 2010-2017 it can be stated that it improves according to the opinion of the respondents themselves (Table 7). Based on the data included in Table 7, the percentage of households with average or good living conditions is increasing. In 2010, this was claimed by two thirds of respondents, while in 2017 it was already nearly four fifths. The percentage of those declaring that their living conditions are modest or very poor is also decreasing year by year.

Table 7. Self-assessment of money management in households; 2010-2017

	2010	2011	2012	2013	2014	2015	2016	2017
Our living conditions are very poor	5	3	3	5	3	3	3	2
Our living conditions are modest	27	33	24	25	20	20	18	17
Our living conditions are average	51	51	57	55	58	54	55	55
Our living conditions are good	15	12	15	14	17	21	21	24
Our living conditions are very good	2	1	0	1	2	2	3	2

Source: [CBOS 2017a].

Interestingly enough, in spite of positive assessment of the way of managing the money, a significant part of society is afraid of the deterioration of their financial condition. This is unalterably about two fifths of the respondents in the years 2010-2017 (Table 8).

Table 8. Self-assessment of current financial situation in the household; 2010-2017

	2010	2011	2012	2013	2014	2015	2016	2017
I don't worry about my financial situation	21	18	19	17	24	23	27	30
I'm not afraid of poverty, but I worry that our financial situation may deteriorate	38	39	39	36	41	43	43	42
I'm afraid of poverty, even if I think that we'll manage	31	32	33	36	28	28	22	21
I'm afraid of poverty and I don't know how we're going to manage	9	10	8	9	6	5	7	6
Difficult to say	1	1	2	1	1	1	1	1

Source: [CBOS 2017a].

At the same time, data from table 8 also shows that an increasing number of respondents are optimistic as the percentage of those having a calm attitude towards their financial situation is growing, even if it is happening gradually. Generally, also from the year 2010 the satisfaction of Poles with their living conditions, incomes and financial situation is at a relatively stable level (see: Table 9).

Table 9. Satisfaction of Poles with their living conditions, incomes and financial situation; 2010-2016

	2010	2011	2012	2013	2014	2015	2016
Material living conditions	52	51	51	51	56	60	50
Their incomes and financial situation	26	25	23	25	29	28	31

Source: [CBOS 2017c].

4. Summary

On the basis of the results of the research it can be stated that in Polish households in the years 2010-2017, positive phenomena connected with financial management are visible. They include in particular rational management of the wealth possessed, thought-out market decisions, increasing tendency to save, decreasing tendency to take loans, persistent trend of timely payment of liabilities, sensible assessment of future material situation as well as generally positive perception of their financial situation by households.

It is worth considering the continuation and development of research on the issues concerning financial management in households. Apart from their relevance, a limited number of comprehensive and up-to-date empirical research on this topic has been conducted. What seems important is the preparation of studies demonstrating a continuous character, which would demonstrate both characteristic single behaviours and the attitudes of Polish households as well as guarantee comprehensive presentation of the topic. This would require an interdisciplinary attitude, expressed in multiple aspects of the studies. Economic determinants also play an important role in financial management, but at the same time, the importance of demographic, social and psychological factors is increasing. Explaining the mechanism of activities undertaken by the representatives of households in connection with finances is important not only from the academic point of view. This information may also constitute the source of inspiration for companies active on the financial market in order to develop the offer matching the needs of potential clients.

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Abbreviations:

CBOS – Public Opinion Research Center (*Centrum Badania Opinii Publicznej*);
GUS – Statistics Poland (*Główny Urząd Statystyczny*); HFCN – Household Finance and Consumption Network.