

# How can we encourage responsible financial behavior?

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Ph.D. candidate Shekinah Dare researched which psychological factors contribute to responsible financial behavior and well-being. She wants to use this knowledge to develop interventions to encourage people to

manage their money better.

For her research, Dare looked at various knowledge factors and [psychological factors](#) that influence people's money habits. She also researched the effect of these factors on financial satisfaction and well-being. The main factors that contribute to responsible financial decisions were financial self-confidence, financial self-efficacy (people's belief that they will complete their financial tasks and achieve their financial goals), future orientation, experienced behavioral control and financial knowledge. Dare thinks it is important for future research to use interventions that focus on these factors.

## **Shopaholic**

Dare says she herself used to find it difficult to make responsible financial decisions. "I was a shopaholic. As a student, what I loved best was buying shoes, bags and jackets. When I started work after graduating, I'd already spent my salary before the end of the month." She realized how financial behavior can influence our well-being. "At a certain point I thought: what am I doing? I really had to change something about my situation. So I started researching budgeting and how to manage your money."

When, years later, she started working at the Central Bank of Curaçao and Sint Maarten, she once again came into contact with the subject. "I worked for the conduct supervision department, which ensures due care is exercised in dealing with clients. I saw a lot of household debt there. In a workshop on finances that we gave, I saw the same problems that I myself had struggled with in the past."

## **Budgeting app**

Dare wants to use the knowledge from her dissertation to develop interventions that encourage people to get into good money habits. She works with the Knowledge Center for Psychology and Economic Behavior, which has experience with this kind of intervention. "You could develop a budgeting app, for instance," says Dare. "An app like that is a kind of personal advisory service that helps you stick to a certain budget for various expenses such as fixed costs, clothes and food shopping."

But it's not just about budgeting. Users of this app would receive reminders telling them not to spend too much money, Dare explains. They'd also get a good picture of how much they had already saved for certain goals, like a holiday. "This can increase their financial self-confidence," says Dare. The app would also improve people's financial knowledge. "If we know that a user has poor financial knowledge, he can get a pop-up, for example, explaining the impact of inflation on his spending power."

## Financial problems

A tool like an app won't help everyone, however. Financial problems can have serious consequences. This is what Dare sees in her work. "If you are in deep [financial problems](#), you should seek help, such as debt relief. Financial problems have a major effect on your [mental health](#) and can even lead to suicide."

Dare hopes her dissertation will contribute to new strategies to promote responsible financial decisions. This can prevent financial problems and problematic debt. "Ultimately it's about helping people live a happier, healthier, more successful life."

Provided by Leiden University

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