

FEATURES OF NON-BANKING FINANCIAL SERVICES CONSUMPTION - PLEDGING

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Abstract:

This paper presents the main aspects of non-banking financial services consumption that are less known, but very used during the economic crisis: pledging. We consider it would be useful for students to be trained in developing tolerance for ambiguity and non-logical certainty, to be trained not to forcibly enter a logical or narrow mathematical model into the wide problems of life, and to encourage leaving the abstract field for reaching the "bents" of concreteness, and of practice. At the same time, it would be useful to be taught how to manage in a more efficient way all types of resources, either in the academic syllabus or additional programs in the socio-professional training. Students must be helped to raise their self-esteem and acquire a higher level of it. This can be achieved either by proper awareness of their own capacity, either by imposing aspiring standards that do not exceed in copying capacity.

Key words: consumer behavior, pledging, students, economic crisis

JEL classification: M21

1. CONSUMPTION BEHAVIOUR

Any kind of *behavior* can be approached from the *social action general theory* perspective: by getting involved in a social situation, any social actor wants to achieve some *purposes*, using some specific *methods* and undertaking some *expenses*. In other words, **the social behavior** is the result of a *decision act* (subjectively and/or objectively fundamental) which means a dynamic interaction between: the actor's characteristics, the nature of the purpose, the resources owned, the estimated costs, the situations he must proceed in and the characteristics of the social object he is interested in.

The consumer's behavior signifies the entire number of judgment acts (Catoiu, I., Teodorescu, N., 1997) achieved individually or as a group, regarding the obtaining and using of goods and services, in order to satisfy actual and future needs, including the judgment processes that precede and determine these acts. Moreover, some specialists relate the **consumer's behavior** directly to the entire number of acts, attitudes and decisions regarding the use of its income for buying goods, services or savings. (Myers, J.H., Reynolds, W.H., 1967)

Actually, people *buy* because they *need* or *want* that particular thing. Usually, the consumer's behavior is decided and *oriented towards a purpose*. Products and services are accepted or denied based on the perception of their relevance to the needs and the characteristic life style. A series of other factors intervene in the **consumption behavior**, like: specific to the person (life style, circumstantial), psychological (self-perception), social (social roles and leaders' opinion).

The consumer's behavior is formed by several influence categories, known in technical literature under different names, mainly alike, that have been improved in time in terms of quality. One of the most surprising classifications is shown below: (Catoiu, I., Teodorescu, N., 2004).

- a). **Directly noticeable influences:** economical factors, demographic factors, marketing mix specific factors, circumstantial factors;
- b). **Exogenous deduced influences (sociological):** family, appurtenance group, reference group, social degree, culture and subculture;
- c). **Endogenous deduces influences (psychological):** perception, motivation, personality, teaching and attitudes.

Without exhaustively presenting all the psychological factors that influence the *consumers' behavior*, we will remind the fact that teaching appears when a person adopts newness or modifies some existent behavior aspects, in a way that influences future performances or attitudes. **Teaching** does not mean behavior changes appeared as a result of the ageing process, but it takes into consideration a permanent change issued from passed experiences. Any behavior change comes as a consequence of a more significant and profound experience, than the one of a child.

When influencing the *consumption behavior*, the person's *age* is as important as the perception, the motivation and the personality. Our study is interested in young students, at the age of late adolescence. In this period of life, the teenager must accomplish a major task: to create himself a stable identity and to become a grown-up adult. Even if there is a great tendency to treat the 'typical teenager', there is a significant difference in terms of every teenager's *personality and interests*. As the teenager starts using his new abilities and judgment habits, sometimes his *behavior* can be hard to understand by adults, creating confusion. The teenager becomes more and more *independent and self-governing*, he enters more important *responsibilities*, the academic activities are more stressed than game-playing, he starts considering a future job and a career, he becomes more involved in major social and existential problems, and he develops a sense of value and an ethic behavior. (Birch, 2000).

2. RESEARCH METHODOLOGY

General objective: To determine the influence of psychological factors upon the students' consumption behavior regarding non-banking financial services (pledging).

Specific objectives:

- ✓ To determine the relationship between the problem solving conduct and the students' consumption of non-banking financial services.
- ✓ To establish the relationship between self-esteem and the students' consumption of non-banking financial services.

In order to test the hypothesis above, we used the quasi-experimental research method, where there is only one *dependent variable*: consumption behavior of non-banking financial services, and two *independent variables*:

- ✓ The students' resolution conduct,
- ✓ The students' self-esteem.

We used the following psychometric techniques to highlight and measure these personality parameters:

- ✓ The problem solving evaluation scale, and
- ✓ The Rosenberg self-esteem evaluation scale.

The problem solving evaluation scale contains 19 statements which each represents an important aspect of the problem solving conduct. The subjects are asked to analyze each aspect and to choose from the 5 answer choices the one that fits best.

After the final score, the subject can be placed in one of the following three situations:

- 0 -24 points – low degree of problem solving, weak solving conduct;
- 25 – 55 points – medium degree of problem solving, medium solving conduct;

- 56 - 76 points – high degree of problem solving, strong solving conduct.
- **The Rosenberg self-esteem evaluation scale** contains 10 items with four answer choices. After the final score, the subject can be placed in a group, depending on his average (25):
- **Minimum mark** that can be obtained is 10 and it reflects **low self-esteem**- people which have the tendency to avoid difficult situations, taking risks, they are change-resistant, they delay taking decisions, due to a minimum confidence in the success;
- **Maximum mark** is 40 and it reflects **high self-esteem** - individuals characterized by self-confidence, emotional balance and accountability.

Reference population of our study consists of all students who exhibit consumption behavior regarding non-banking financial services, in Romania.

Non-banking financial services are subject to Law no. 93/2009 on non-banking financial institutions and all legal provisions applicable to non-bank financial institutions, being registered in the Evidence Register kept at the National Bank of Romania (www.linkedin.com/companies/casele-de-amanet-as-bijou-cr).

Pawnshops generally accept certain value goods: gold and silver jewelry, branded watches, gold or silver cutlery, cars, lands, even the apartments they live in, etc. in an article published by *realitatea.net* it is shown that: *The cash crisis and the tough lending conditions imposed by banks direct more and more Romanians towards pawnshops. If up to now only gold jewelry were left as gage for an urgent loan, people pledge cars or apartments they live in, lately.*

Fees paid are situated at 1.5 - 2% per day of the loan amount but can be negotiated. Contracts are signed for a fixed period (not large) and may be extended under the debt-to-date. Very important to know: the price obtained is less than 60% of the actual property value and exceeding the contractual warranty can lead to loss of ownership (paginaunu.ro). Since the entire reference population could not be investigated, it was selected a sample of 200 subjects who used the A. Pawnshop in Timisoara, during February-July 2010. Subjects' ages are between 19 and 24 years old, with an average of 22.7 years old. All subjects are students of faculties in Timisoara. The most important characteristics of the investigated subjects:

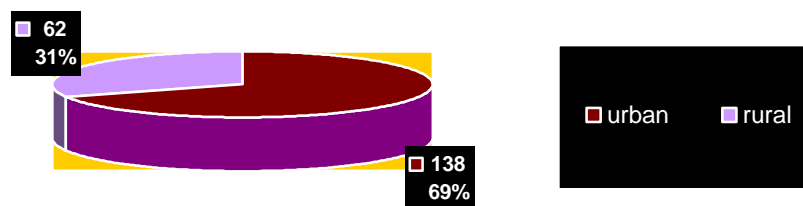


Figure 1 Representation of absolute and relative frequencies of the subjects' origin environment

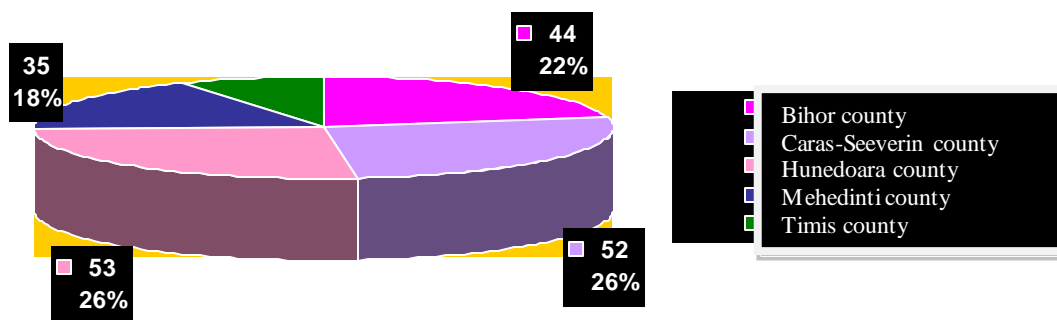


Figure 2 Representation of absolute and relative frequencies of the subjects' administrative - territorial origin areas

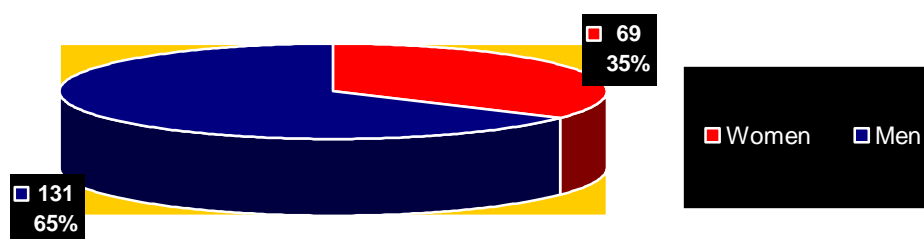


Figure 3 Representation of absolute and relative frequencies of the subjects' sexual affiliations

Given the field of the services which made this research, the procedure has been adapted to its specific reality. Thus, from all the customers who have turned to A. Pawnshop Timisoara, only those who met the age and educational level were used for the study. They were asked to participate voluntarily in the conduct of the research, being informed that, besides the loan mandatory information, they had to declare the origin environment, as well as a completion of written evidence. They were assured of the confidentiality of the results obtained from these samples, but they were stated that these would be presented in front of an audience. Subjects were presented with recorded training and were asked to complete the evidence, stating that there is no time limit.

The two scales were applied individually, ensuring confidentiality of the investigation by providing a specially equipped room for it, inside A. Pawnshop, but without the possibility of being seen by other customers.

Application of samples was carried out from February to July 2010.

3. THE PRESENTATION AND EXPLANATION OF THE RESULTS

Hypothesis 1 Suppose that there is an association between the consumption of non-banking financial services and the resolution of student conduct.

The independent variable *resolution behavior* of the students is revealed by the *problem solving evaluation scale*. It may take three forms: weakly, medium and heavily shaped.

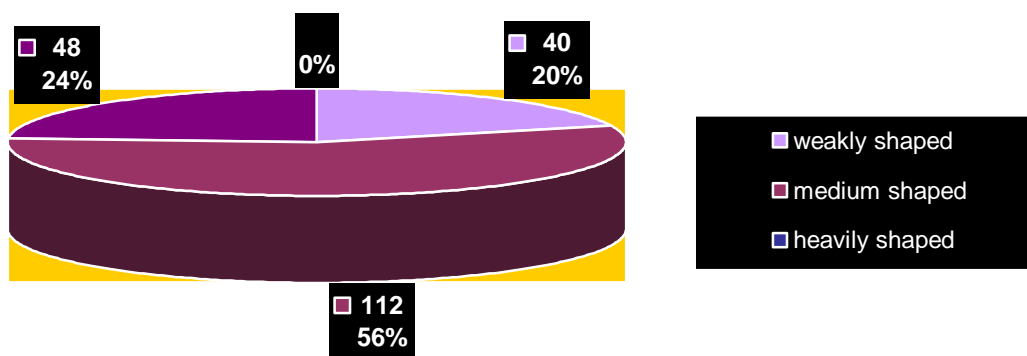


Figure 4 Representation of absolute and relative frequencies of all subjects' resolution conducts

In Figure 4, we observe that most subjects have average problem solving possibilities and a *medium shaped resolution conduct*. This result may be an indicator of the fact that the subjects experiencing situations involving adaptive responses, for which they do not have an already developed conduct, may adjust themselves in some cases, but not in others.

Theoretical or practical difficulties the subjects are facing generate resolution conducts, where to identify, define and solve problems is not an insurmountable obstacle. Somehow it makes sense, because subjects are involved in a higher socio-professional education activity, which requires exactly this: to solve problems. Therefore, it is rather natural to acquire at least an average resolution conduct.

Considering the lack of money to cover the students' immediate need or desire as a problem for their real life, borrowing money can be a good resolution conduct. In the course of action of the resolution conduct actions, resorting to non-banking services may be the setting *stage* of the search strategies.

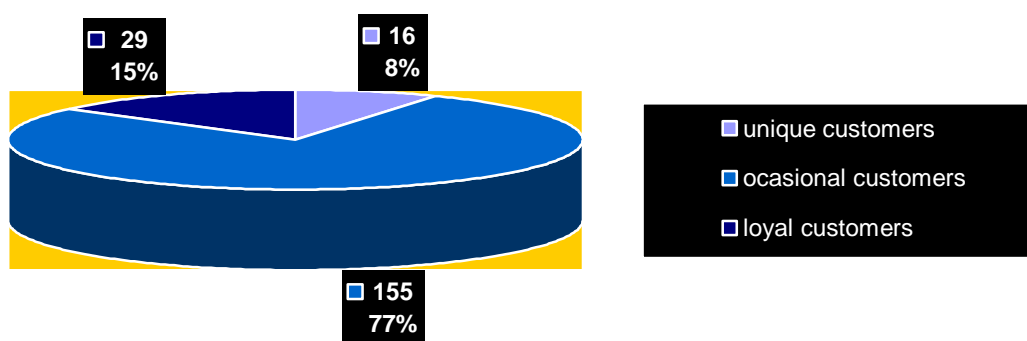


Figure 5 Representation of absolute and relative frequencies of the characteristics of non-banking financial services consumption of the subjects

In this presentation of the subjects, we took into account the classification proposed by paginaunu.ro, where there are:

- ✓ *unique customers*, who came to the pawnshop one time and brought goods that they did not manage to collect until the conclusion of the study (July 2010);
- ✓ *occasional customers*, who came to the pawnshop several times, because they needed the money urgent and on short-term, but did not have the possibility to borrow them in that particular day; most of the time, they get the money to recover the pledged property
- ✓ *loyal customers*, who pledge something every month, because they need money for short periods and the system of pawning is a good solution (the money is received on the spot and as soon as it is returned, as lower the cost of borrowing gets).

Based on the obtained data, we can say that:

- The low problem solving possibilities influence the consumption of non-banking financial services of the unique customers
- The average problem solving possibilities influence the consumption of non-banking financial services of the occasional customers
- The high problem solving possibilities influence the consumption of non-banking financial services of the loyal customers.

The hypothesis is confirmed.

Hypothesis 2 Suppose that there is an association between the consumption of non-banking financial services and the self-esteem of students. The variable ***self-esteem level*** was analyzed using *Rosenberg self-esteem evaluation scale*.

Most subjects are characterized by an ***average self-esteem***. Thus, the global self-evaluation of oneself of the subjects shows that they achieve a fairly balanced mix between the assessment of their values and their skills to achieve desired goals.

At the same time, the ***average self-esteem*** can be regarded as an indicator for a lack of the subjects' overvaluation or undervaluation, in comparison with their expectations or with others. Thus, the evaluative and affective dimension of the self-image is effectively fulfilling its cognitive role of self-protection and self-support.

Most of the pawnshop's ***unique customers*** show the two extreme levels of self-esteem. On the one hand, ***low self-esteem*** and on the other hand, they show ***high self-esteem***. Individuals characterized by ***low self-esteem*** tend to avoid difficult situations, do not take risks, exhibit resistance to change and have a tendency to delay taking decisions, because of their minimum success confidence.

Based on the obtained data, we can say that:

- The low and high levels of self-esteem influence the consumption of non-banking financial services of the unique customers
- The high level of self-esteem influences the consumption of non-banking financial services of the occasional customers
- The low level of self-esteem influences the consumption of non-banking financial services of the loyal customers.

The hypothesis is confirmed.

4. FINAL CONCLUSIONS

The study revealed the average problem solving possibilities, namely an ***outlined medium resolution conduct*** of most students, naturally resulted from the involvement in a higher socio-professional education activity.

Most of the ***unique consumers*** of pawnshops (left pledged goods that they did not recover, in exchange for only 60% of their value) have low possibilities to solve problems, i.e. a ***low shaped resolution conduct***.

The new need for money generated by the loan itself at the A. pawnshop was a real life problem that subjects were unable to resolve, because if the new life problem's identification and definition has been done (the return of the debt), still there was no finding of the financial solution. Of course, we assume that these individuals / clients wanted to recover their pledged property. If not, we can say that they sold those goods which they wanted to sell (and maybe could not find any buyer), in which case their resolution conduct (pledging) was excellent!

Most of the ***occasional consumers*** of pawnshops present medium opportunities to solve problems, namely a ***medium shaped resolution conduct***. In this case, the repeated use of non-banking financial services goes beyond the ***stage*** of determining search strategies and includes the evaluation ***stage*** of the results of this action or

previous action of loan from the A. pawnshop. It is possible that the subjects' previous experiences with this type of financial services might begin to shape this resolution conduct (pledging) that can become acceptable adaptive responses.

Most of the *loyal consumers* of A. Pawnshop have high possibilities to solve problems, namely a *high shaped resolution conduct*. Systematic confrontation of students with the same type of real-life problem can lead to building and stabilization of the pledging resolution conduct. Considering the lack of money to cover the students' immediate need or desire as a problem for their real life and frequent pledging as a common adaptive response to this, we can consider pledging a high shaped resolution conduct.

Lack of money to cover an immediate need or desire of these students will no longer constitute a problem in real life, precisely because of the implementation of already developed behavior. Most subjects are characterized by an *average self-esteem*. Thus, their overall self-assessment shows that they achieve a relatively balanced combination of self-worth and skills assessment to achieve desired goals.

Medium self-esteem can be regarded as an indicator for a lack of the subjects' overvaluation or undervaluation, in comparison with their expectations or with others. Thus, the evaluative and affective dimension of the self-image is effectively fulfilling its cognitive role of self-protection and self-support. Most of the pawnshop's *unique customers* show the two extreme levels of self-esteem. On the one hand, *low self-esteem* and on the other hand, they show *high self-esteem*.

It is possible that for *unique consumers with low self-esteem* pledging is a difficult situation and their specific tendency to avoid them prevents them from coming back and paying the loan, namely to recover the goods pledged goods.

For *unique customers with high self-esteem*, pledging may represent an assumed risk and the loss of pledged property may become an assumed responsibility. It is possible that subjects' overestimation of their capacities might expand to the sphere of non-banking financial services consumption, namely to overestimate the ability to return loans. In this situation, pledging could be a kind of over-consumption or excessive consumption, because it lacks the ability to return the loan, resulting in loss of pledged goods.

Most *occasional costumers* of pawnshops have *high self-esteem* that is self-confidence, emotional balance and assumption of responsibilities. For them, the consumption of non-banking financial services is an assumed risk and the loss of pledged goods is an assumed responsibility. If the (self-) imposing of aspiring standards (very) close to their capacities was extrapolated to the consumption behavior, then the repeated pledging may be consistent with their expectations. In other words, if getting money fast and on short terms is an aspiring standard, then pledging goods and returning the loan become actual capabilities of the subjects.

Most *loyal customers* of pawnshops have low *self-esteem*, so they tend to avoid difficult situations, they do not take risks, they exhibit resistance to change and have a tendency to delay taking decisions, because of their minimal confidence in success. It is possible that for these individuals pledging might be an effective way to avoid difficult situations arising from lack of money. At the same time, resistance to change may be present in this type of behavior, and subjects may not wish to change the way they get money fast: by pledging goods. In addition, when these subjects have a weak and distorted awareness of their own capacity to meet the need of money for short periods, they reinforce the behavior of mortgage, which becomes almost a habit.

The *usefulness of this study* appears in education, by highlighting medium problem-solving opportunities by students and by identifying the average level of their self-esteem. Theoretical or practical difficulties the subjects are facing generate resolution conducts where to identify, define and solve problems is not an

insurmountable obstacle. But this is too much compared to what is expected of high educated future professionals.

Students familiar with and / or specialized in solving problems with gaps predominantly abstract: mathematical, logical etc. are trained in demanding a clear definition of the problem, in the logic operations necessary for finding a solution and in the logical adequacy of the solution. However, as determined by experts, these can be real obstacles in the way of solving the complex problems of real life (psychosocial). We think it would be useful for students to be trained to develop tolerance for ambiguity and non-logical certainty, to be educated to not forcibly enter the wide problems of life into a narrow logical or mathematical model narrow, to be encouraged to leave the field of abstractions in order to reach the "meanders" of concreteness, of practice.

It would be useful for them to be learned how to more effectively manage all types of resources, either in academic programs or additional programs of socio-professional training. Equally important is that students are helped to raise their self-esteem and to acquire a high level of it. This can be achieved either by proper awareness of their own capacities, either by imposing aspiring standards that do not exceed the coping capacity.

As the characteristics of self- cognitions and feelings are a result of previous experiences of success or failure of performance goals, we consider useful for the educational system to adjust learning tasks and goals, so the students may be successful in the acquisition and development processes of knowledge, skills and socio-professional aptitudes.

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