# THE YOUNG ADULTS IN THE FINANCIAL SERVICE MARKET IN POLAND

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## Introduction

The 21st century, although it is only its second decade now, has already been hailed as the era of the Internet, globalisation and pluralism, as well as the epoch of unification and eradication of social and cultural differences. It seems that the Toffler's third wave has already flooded the northern part of the globe, and now it is spreading further, unstoppable by any force whatsoever. The shift from the modernism to the post-modernism has become a fact, whereas the word 'eclecticism' is heard everywhere. In all highly developed societies, it is visible with the naked eye that there have occurred some changes involving reverse mass-customisation, i.e. individualisation of consumption, segmentation or paradoxical connections.[54] Changes to production techniques and technologies combined with social transformation bring about that a modern human ceases to be useful as a production driving force, and starts to be needed mainly as a consumption force. In the post-modern phase of the world development, it became quickly evident that the society needs neither massive workforce nor volunteer armies. However, the society does need its members, but to play the roles of consumers, and particularly, to respond to an unprecedentedly productive economy which urges to adopt consumption as a way of life. The high pressure exerted by producers, salespeople, omnipresent advertisements and media put materialistic values on a pedestal, all that has made a modern human start to climb off the 'hedonic treadmill'. In the consciousness of the 21st century human, the drive to accumulate wealth has settled well, and thus it has become an important, and for some people, the most important life urge.[55]

Therefore, the new epoch creates a 'new' postmodern consumer. On the one hand, the consumer is provided with unprecedented opportunities to achieve new experiences and express himself/herself through consumption; however, on the other hand, the consumer in question is obliged to make choices between different traditions, styles, products and services.[56]

In this context, the science and demand-related segment of the market express a growing interest in a group of consumers called young adults. The group shows, on the one hand, the greatest candour and curiosity towards new phenomena and trends, but, on the other hand, the group in question struggles with financial problems that are typical to people who have just begun their adult lives.
The aim of the present article is to draw readers' attention to the specific character of the said consumer group and their behaviour patterns on the financial service market.

The reflections presented were carried out by means of logical inference methods, critical analyses of the subject matter and conclusions drawn by the author from the author's studies over market behaviours of modern consumers. The article is also based on materials and

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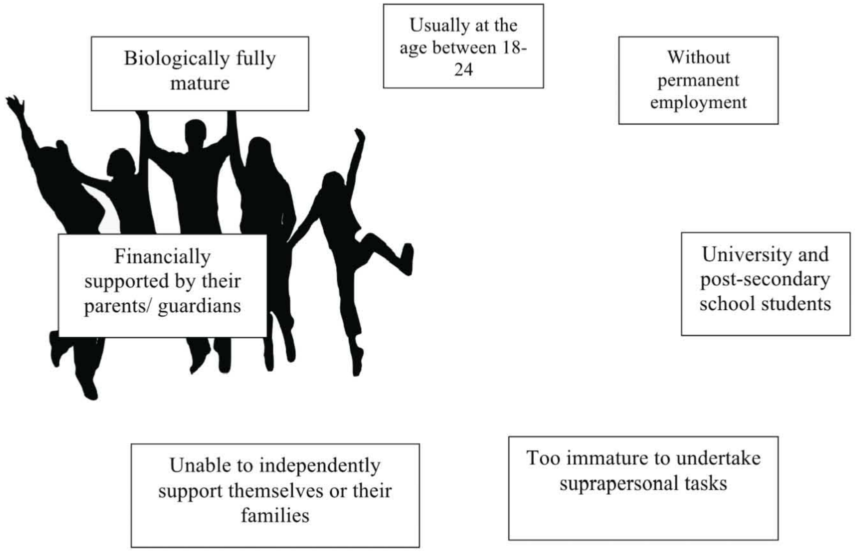
[54] Cf. Van Raaij F., *Konsumpcja postmodernistyczna* [in:] *Zachowania konsumenta. Koncepcje i badania europejskie*. Edit. Lambkin M., Foxall G., van Raaij F., Heilbrunn B., Wydawnictwo PWN, Warszawa, 2001, p. 331.
[55] Mróz B., *Konsument w globalnej gospodarce. Trzy perspektywy*, Oficyna Wydawnicza SGH w Warszawie, Warszawa, 2013, p. 51-52.
[56] See more: Maciejewski G., *The Contemporary Consumer in the Face of Megatrends in Consumption* (Chapter 2) [in:] *The Transformation of Consumption and Consumer Behaviour*. Edit. A. Olejniczuk – Merta, IBRKK, Warszawa, 2012, 27-42.

findings of the expert panel of the Polish Society of Market and Opinion Researchers. The panel, which the author actively participated in, was entitled 'The Consumer of 2014'. Conclusions, drawn from the presented reflections, might be of use for companies and financial institutions, to support the process of building up their competitive advantage. The said competitive advantage may be achieved through fulfilment of expectations of young adults who, despite of their mere financial resources, are willing to be active players on the market of goods and consumer services.

**Young adults as market subject**

The very notion of 'young adults' refers, in reference books, to completely mature people in the biological sense of the word, but is also covers the people who are not yet self-contained and who depend, fully or partially, on the support of their parents/ guardians. From the demographic perspective, the notion may include people of both sexes, aged 18-24, learning or studying. It sometimes happens that the notion also covers slightly older people – those who follow a second degree course, a postgraduate course (doctoral course) or those who remain unemployed. From the socio-economic point of view, the features that characterise young adults are the following: the fact of not performing professional work, inability to support oneself and one's family as well as lack of maturity to undertake suprapersonal tasks[57] (Figure 1).

**Figure 1**
Young adults: social, economic and demographic profiles




Source: Own work based on the query of reference books.

The choice of the group of young adults as a research subject was made in a deliberate way. It is therefore a relatively numerous and considerably interesting market segment, from both a cognitive and marketing point of view. In Poland, in the school and academic year of 2012-2013, 334,300 students of postsecondary schools and 1,676,900 of higher education students started their education, which altogether gives over 2 million students (Table 1).

[57] Borowicz R., Krzyminiewska G., Szafraniec K., *Młodzi dorośli: paradoksy socjalizacji i rozwoju*. Polska Akademia Nauk. Instytut Rozwoju Wsi i Rolnictwa, Warszawa, 1991, p. 14. See also: Ledzińska M., *Młodzi dorośli w dobie globalizacji. Szkice psychologiczne*. Difin, Warszawa, 2012.

**Table 1**

Students of postsecondary schools and higher education institutions in Poland

| Description | Years | | | |
|---|---|---|---|---|
| | 2005/2006 | 2010/20011 | 2011/2012 | 2013/2013 |
| Postsecondary school students | 313,500 | 298,800 | 330,600 | 334,300 |
| Higher education students | 1,953,800 | 1,841,300 | 1,764,100 | 1,676,900 |
| Total | 2,267,300 | 2,140,100 | 2,094,700 | 2,011,200 |

Source: Own work based on the Statistical Yearbook of the Republic of Poland, 2013, Central Statistical Office, Warsaw 2013, Table 1, p. 341.

The subject matter of analyses conducted in the present article are students referred to as young adults due to the fact that they have begun their studies and thus postponed the moment of starting a real adult life. The group in question is numerous not only in Poland, but also in other European countries. According to the Central Statistical Office, the gross involvement rate for higher education institutions as per the academic year of 2012/2013 amounted to 51.8%, which means that more than 50 % of Poles aged between 19 and 24 have studied at universities. It thus gives 550 students out of 10,000 inhabitants in Poland. In the European Union (EU27, Croatia excluded), there are 401 students per 10,000 people.[58]

## Purposes and methodology of research

The research over behaviour patterns of young adults constitutes a part of larger research pertaining to consumer buying behaviours. The behaviours in question may be identified by observations of the choices made and the declarations regarding behaviour, aspirations, assessments, opinions and motives. One of the main tasks of the interviews was to achieve qualitative information about:

- the amount of funds possessed by them, and sources of the said funds,
- self-assessment of the fulfilment of interviewees' needs and of ways to improve the level of their fulfilment,
- interviewees' knowledge of the market of financial services in Poland and declared behaviours in the said market.

Another task involved an attempt to identify detailed research scopes for future quantitative research (including, achieving the information needed to create a direct interview questionnaire PAPI).

The research was carried out in October 2013, in two cities in the Upper Silesia Province, i.e. in Katowice and Rybnik[59] – Table 2. The research techniques used involved a Focus Group Interview (FGI), whereas the interview scenario played the role of a research tool. The course of the interview was directly observed and openly recorded by means of a voice recorder. The interviewees were selected for a specific purpose, on the basic of the following criteria - their age and a current life cycle of the household they originated from. The interview carried out in Katowice covered 12 interviewees: 8 women and 4 men.

The interviewees were all students of post bachelor master's course (second-cycle programme), 11 people studied and worked part-time, 1 person studied and was looking for a job. The research conducted in Rybnik covered 10 people – students of the bachelor degree course (first-cycle programme) - 8 women and 2 men. 3 people studied and worked part-time, 7 people

[58] Statistical Yearbook of the Republic of Poland, Central Statistical Office, Warsaw 2013, Table 6, p.761 and Table 32, p. 805.

[59] In both cases, there were classrooms located in the University of Economics facilities, adjusted to the requirements of the group interviews.

studied and were not looking for a job at that time. The interviewees represented both rural and urban households, usually consisting of 4 members. In both cases, the duration of the interview did not exceed 80 minutes.

**Table 2**
Characteristics of participants of focus group interviews (in numbers)

| **Description** | | **Participants in total** | **The Katowice group** | **The Rybnik group** |
|---|---|---|---|---|
| Sex | Women | 16 | 8 | 8 |
| | Men | 6 | 4 | 2 |
| Age | 18 – 22 years old | 8 | 0 | 8 |
| | 23 – 29 years old | 14 | 12 | 2 |
| | Average age | 22.5 | 24.0 | 20.4 |
| | Median age | 23.0 | 23.5 | 20.5 |
| Education | Primary and vocational | 0 | 0 | 0 |
| | Secondary | 10 | 0 | 10 |
| | University | 12 | 12 | 0 |
| Activity on the labour market | Employed on a casual capacity | 14 | 11 | 3 |
| | Non-employed | 8 | 1 | 7 |
| Number of household members | 1 person | 0 | 0 | 0 |
| | 2 people | 4 | 3 | 1 |
| | 3 people | 4 | 3 | 1 |
| | 4 people | 8 | 3 | 5 |
| | 5 people and more | 6 | 3 | 3 |
| Subjective assessment of the financial situation of their own household | Very good and good | 15 | 8 | 7 |
| | Mediocre | 7 | 4 | 3 |
| | Difficult and very difficult | 0 | 0 | 0 |

Source: Own work.

## Findings

The first issue covered in the course of the Focus Group Interviews (FGI) referred to the size of funds being at the interviewees' disposal and sources of the said funds. The amount of monthly financial means to be available ranged from 500 PLN to 1,500 PLN[60]. However, the majority of interviewees claimed to have at their disposal the means classified as the lower side of the range.

The source of income for research participants included, in most cases, part-time jobs, scholarships (around 300 – 350 PLN), accumulated savings, investments on the stock market, breeding husky dogs and pocket money from parents. The part-time jobs were not necessarily legal ones '(…) *a part of the money I can earn off the books in my uncle's company, he has not registered me, I do not have a bank account either, my salary is handed to me in an envelope by*

[60] 1 Euro is about 4 PLN.

*his accountant, at the end of each month. For now, that works for me*'.[61] (a 20-year-old female). Their income also sourced from money received from their grandparents and money earned on providing private lessons.

Almost all interviewees lived with their parents or grandparents. As a source of income, responders also indicated 'incomes in-kind', i.e. the possibility of living for free at their parents' houses, free food and clothes. The interviewees admitted that their 'agreements' with parents generally provide for that the interviewees were supposed to cover studying costs (university fees, transport fares, books, etc.) and the costs related to their own needs (cinema tickets, mobile phone's monthly fees, the Internet fees, etc.) – in return, they were supposed but to learn, or alternatively, to help with household chores.

The respondents were not at all embarrassed that, despite their adult age, they were still supported by their parents or even grandparents. A part of them admitted that their parents covered even the university fees. The author may quote here a statement of one of the students from Rybnik: '*I live alone with my parents. It's convenient for me. My two elder brothers cut themselves loose. I've got time for that. Bodybuilding is my passion. I love it. I spend all my spare time at the gym. I have always wanted to be a kind of Arnold Schwarzenegger* (laugh). *I don't have a job and I'm not looking for one. I satisfy my needs by means of pocket money from my parents. In return, I clean the house and the area around it, do the laundry and cook; I am a sort of a househusband'* (a male, 21 years old).

Another issue, which transpired from the interviews, referred to the needs of young adults, the self-assessment of the fulfilment of the said needs and the identification of prospective ways to improve the need fulfilment rate. The said part of the interview involved the use of the scaling technique.

The interviewees assessed the level of their need fulfilment by means of a 10-degree scale, where 10 stood for the complete fulfilment of needs in a given area, whereas 1 referred to a complete failure to satisfy one's needs. The interviewees were then asked to justify their answers.

In the group of students of post bachelor master's course (second-cycle programme), who generally declared a lesser dependency on the parental or guardian support than their younger university friends following the bachelor degree course (first-cycle), graded their total needs, i.e. their well-being, as 4 to 5 out of 10-degree scale. The lowest grade was 3, the highest - 6. The highest grades were granted as to the fulfilment of food-related needs - from 10 to 8. The needs related to clothes and shoes came the second with the score of 7 – 6. The third place was taken by the health care-related needs, i.e. 6 – 5 out of 10-degree scale. The interviewees gave the lowest grades to the fulfilment of the needs of the greater order: entertainment and longer relaxation - from 2 to 4. However, one should emphasize the subjectivity of the evaluations and high expectations of interviewees.

When a moderator asked why the fulfilment of relaxation and entertainment-related needs was so low, one of the interviewees (a female) gave an answer, which everyone in the Katowice group was willing to go along with: '*I find the fulfilment of my entertainment and relaxation-related needs at the low level since I can't afford, for instance, to go to the cinema every weekend - I have to count on money from my grandma or my boyfriend*'. Another interviewee (a female), when talking about relaxation, stated that '(…) *I really have to mull over possible ways to spend one week per year in Tunisia or Egypt. And what is a week? You barely unpack and then you have to pack yourself back. And what about winter skiing breaks? One should have such one-week breaks three or four times a year*'.

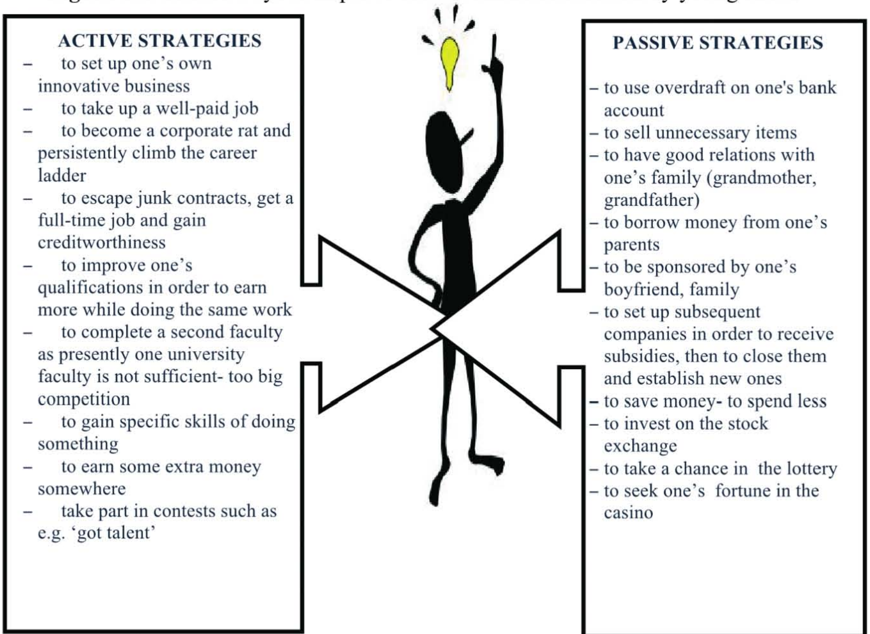
[61] In all quoted statements, the author tried to transmit true and correct messages being recorded, even at the expense of the grammar accuracy.

Among the students of the first-cycle, the grades related to the need fulfilment were significantly higher and ranged from 9 to 8 points. Nobody indicated an ultimate grade, since, as one of the interviewees said '(…) *something can always be better'*. In other cases, the lack of 10 was explained by the lack of one's own flat or car: '*The grade ten is lowered because of the lack of a car, the rest is all right, I have clothes to wear, I can afford beauty products, but the car – it would be of a great use'* (a female, 22 years old). In the Rybnik group, the highest grade, i.e. 9-10 points, was granted to the fulfilment of needs related to health care. The interviewees stated that the only problem at their age was dental care, or alternatively preventive medicine (dietary supplements, influenza vaccines etc.). Nonetheless, they could still afford that.

The interviewees were asked what would have had to happen to allow them to grant their need fulfilment with the grade 10? What would make them think of that in this way? The answers at the level of groups were relatively similar, some differences appeared between younger students in Rybnik and older ones in Katowice. In Katowice, the predominant issue was to find a permanent, well-paid job allowing to achieve a net income of around 4,000 PLN per person; nonetheless, one of the interviewees (a female) declared ':

(…) *in case of a couple, the income may even amount to 3,000 PLN per person. It is obvious that sharing a flat involves also sharing the costs, such as a rent, electricity and gas bills. On the other hand, one has to take into account prospective places to live. In Warsaw, the amount of PLN 4,000 is not sufficient, PLN 8,000 would be enough. Simple renting of a bed-sitter costs PLN 2,000 per month*' (a female, 25 years old). In Rybnik, on the other hand, the interviewees were generally satisfied with their need fulfilment; their greatest concern does not relate to the lack of money, but to the lack of time. One of the men commented in the following way: '*What would I need the money for if I had no time to spend it?*' While discussing the '*earning more or having more free time*' quandary, the following option '*one should earn their present salary, but should work 4 instead of 8 hours*' was chosen by 9 people in Rybnik and 4 in Katowice; however the following option: '*one should work as many hours (8 hours) as currently, but should earn twice as much*' was chosen by 1 person in Rybnik and 8 people in Katowice. What is interesting, the Rybnik group showed a lack of knowledge as to prices of even the most basic products, such as butter, bread, or as to monthly rents, electricity or gas bills. Nonetheless, the statements as to their readiness to adopt parental role turned out to be alarming, particularly in the demographic sense. In both groups, the participants underlined their willingness to have at least one child, but for the moment being they could not afford that. As to the improvement of their financial situation, the interviewees selected both active and passive preventive strategies (Figure 2).

**Figure 2**. Declared ways to improve current financial situation by young adults




Source : Own study

The first strategies were reflected by a willingness to act, to take the matters into one's own hands, e.g. '*(...) one might set one's own business. But not as trivial one as a kebab bar. This has no future ahead and, besides, the competition is too high. It must be an innovative business and, at the same time, a business which does not involve large funds, as where one might get those from?*[62] *It might by something like a smartphone application.*' (a male, 26 years old). The second strategies were mainly focused on a short-term help from the outside or a stroke of luck, e.g. '*One has to get on well with one's family. A grandma or a grandpa will never refuse to give a loan, and they do not press on giving it back*' (a female, 19 years old).

The third and the last issue present in the survey involved the identification of behaviours of young adults on the financial services market. The involvement of the interviewees on the financial services market so far was very low. It was merely limited to payments by a credit card. In the Rybnik group, there was one person who had not held a bank account. The interviewees hold the opinion that the financial service market has nothing to offer them: „*We will not be granted any loans, since we have no creditworthiness, and we cannot become a rentier as we do not have enough savings. One has to save a few million in order to live off the interest*' (a female, 24 years old). The interviewees, except for one person, have not been interested in investing on the stock market or investing their savings in some trust funds' units: '*Dividends on stocks are not particularly sure, there might be no profit at all, or, in case of some profits, the General Meeting of Shareholders might issue a decision not to pay any dividends. Besides, it is risky. One has to be into it, has to know one's job*' (a male, 27 years old).

Where do they keep their savings? They do not locate their savings in any financial institutions, preferring to store them at home, 'under their mattress'. Or they choose fixed-term deposits in banks. They would not trust a financial advisor, as the latter is not held liable for advice given to

[62] As a side note, one has to state that the interviewees – students at the University of Economics - generally have very little knowledge of opportunities how to achieve funds for economic activities provided by means of various assistance programs (from the EU, employment agencies, aid programs for young entrepreneurs, etc.).

clients. In case of money shortages, the young adults ask their parents or families for help: '*My parents, or my grandmother or grandfather are the best bank. They neither press me to give it back, nor demand any interest rates*' (a female, 23 years old). They have not heard of student loans at all or their loan-related knowledge is limited to the statement that '*my friends told me that it was unprofitable'*.

However, both groups were not particularly interested in financial services. The interviewees were ignorant of rules, which regulated investment funds, of opportunities to invest and locate their financial surpluses in securities (stocks, shares, derivatives) and even of current fixed-term deposit interest rates.

The interviewees hold the opinion that they have got a lot of time ahead to become more interested in the financial service market: '*Savings may show up when I am above thirty, provided that everything goes well. The age, between 30 – 60 is the time to accumulate savings. Then, one may spend it, if the health permits*'' (a male, 24 years old).

Surveyed young adults declared a small willingness to take out loans. If they eventually decided to take out a loan, the purpose of the loan would have to be out of a greater need. It could be purchasing a building plot, a flat or a car. Furthermore, they would be ready to take out a loan in case of a sudden serious illness, in order to help their dearest ones. One of the interviewed women admitted her readiness to take out a loan to pay wedding costs, while one man was ready to do it to buy a car. Undoubtedly, they would not use the lent money to pay for holidays or buy expensive clothes. In the first instance they would go and ask their families for a loan. They would not go to a bank until in need of a greater amount of money. They would also make use of saving and loans schemes in their workplaces. They would certainly not go to pawnshops or quasi banks. They are discouraged from taking out loans as they are afraid of being unable to pay their debts in case of a lost job or an illness. The respondents provided some examples from current affairs programs or from their own background of indebted people who lost everything: their houses, flats, cars and businesses. They are afraid of having to suffer a similar fate.

## Summary and conclusions

The research, despite its qualitative character, provided some interesting data that may be verified by means of quantitative studies on representative samples.

However, on the basis of just these preliminary findings, one can draw a conclusion that on the Polish market of financial services, the segment of young adults seems to be a passive one, ignorant of the supply-related offers and having numerous doubts and concerns connected with their activity on the said market.

The research participants showed limited knowledge of even the most basic products available on the financial market. The respondents were not aware where they might invest their savings and did not know what to do in order to reap some benefits. Credits, loans, debit cards are the products which, instead of helping young adults in fulfilling their needs, discourage the people from using them, or even instil some fear. In the respondents' opinion, the best financial institution are their closest ones – family and relatives - who, when lending money, do not set the payment date or instalment rates.

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## Abstract

It was not by accident that a group of young adults was chosen as the subject of the discussion. As this is a relatively large and cognitively interesting social group in Europe. The very notion of "young - adults" in literature usually refers to people who are completely mature in the biological sense, yet still reliant and wholly or partly dependent on their parents / guardians. From the socio-economic point of view, features that may characterize these people are: the fact of not performing professional work, inability to support oneself and one's family as well as lack of maturity to undertake over - personal tasks. The article focuses on how this social group behaves in the financial services market in Poland. The sources of the article are literature on the subject and direct research conducted by the author, using the FGI method, for the purposes of the present article.



Key words: young adults, consumer behaviours, financial services market, Focus Group Interview.