

The Defensive Money Scarce Consumers: Money Scarcity leads to Financial Advice Avoidance

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Objective

- We investigate the psychological reasoning behind the avoidance toward financial advice (e.g., financial services, mobile apps, books) that money scarce consumers have.
- We investigate different ways to reduce such avoidance.
- Background**
Consumers who are money scarce often ignore financial advice that can help managing their money.
- We suggest that financial advice is perceived as a threat, instead of aid to reduce the scarcity, to money scarce consumers.
- We provide two ways to reduce the defensiveness of money scarce consumers:
 - by reducing the threat from the money scarcity - Self-affirmation
 - by reducing the threat from the financial advice – Message-framing

Study 1

Design: 2(scarcity: money scarcity vs. time scarcity) × 2 (self-affirmation: present vs. absent)

Subjects: 344 Students from Hong Kong

Manipulation: Recall task

DV:

- Choose one book that you are likely to read
- Likely to purchase each book

Results

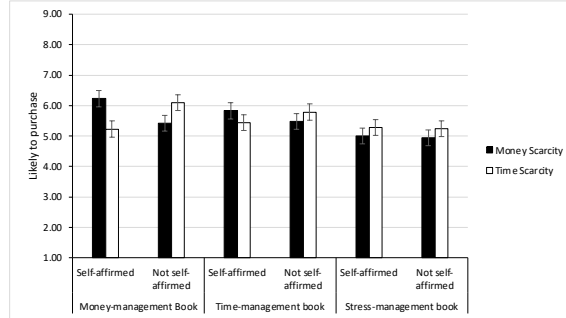
1) Book Choice

Money scarcity condition: $\chi^2(2, 161) = 11.84, p = .003$

No affirmation: 34.5%

Self-affirmation: 61.5%

2) Purchase likelihood: $F(1, 316) = 9.16, p = .003, \eta^2 = .03$



Study 2 (pre-registered study)

Subjects: 500 participants from Prolific

Design: 2(scarcity: money scarcity vs. time scarcity) × 2 (message framing: stressed vs. strapped) × personal relevance

Procedure:

- Phase 1:** (500 participants) Measured financial advice relevance



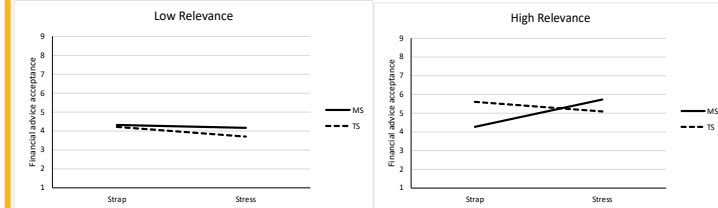
2)

Phase 2: (1 week later; 346 participants; 12 excluded)
2(scarcity: money scarcity vs. time scarcity) × 2 (message framing: stressed vs. strapped)

- Stress framing: “Stressed about money? Managing money can be stressing. We can help you reduce that stress”
- Strap framing: “Strapped for money? Managing money is essential. We can help you improve your financial situation”

DV:

- Likely to use the financial service
- Attitude toward the advertisement (bad/good, negative/positive, unappealing/appealing, undesirable/desirable)



Conclusion

- Feeling money scarcity makes people become defensive toward financial advice, which is perceived as a further threat
- money scarcity shows greater reluctance toward financial advice
- The effect can be moderated by buffering the threat they are feeling (i.e., self-affirmation) or framing the message to devalue the threat of the message (i.e., money scarcity as being stressed about money)

References

Block and Williams 2002; Despard et al. 2020; Fernandes et al. 2014; Hall et al. 2014; Hamilton et al. 2019; NFCS 2018; Paley et al. 2019 Roux et al. 2015; Sharma and Alter 2012