



HOW YOUNG POPULATION MAKES PERSONAL FINANCE DECISIONS? EVIDENCE FROM NORTH MACEDONIA

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OBJECTIVES



To analyze the decision-making process regarding financial choices of the young population in North Macedonia;



To explain young people's motives for the proposed decision and the conditions under which such decision was made.

Psychological factors, among which the key factor being the risk attitude, combined with the socio–demographic factors, define the person’s behavior and activity on the financial markets;

Financial decision–making is limited by the practical possibilities of exercising financial choices and is immensely influenced by the domestic financial system and the economic environment.



Personal finance is a research area that gains momentum due to the intensified interest in inserting psychology in the economic sciences.

METHODOLOGY



AHP-BASED
QUESTIONNAIRE



TARGET GROUP:

9 respondents
younger than 35 years

AIM: To evaluate the young
people's perspective on:



SAVING



SPENDING



INVESTING



Suppose you have inherited 10 000
EUR, what decision will you make?

MODEL ANALYSIS AND RESULTS



Figure 1. Development of the AHP model

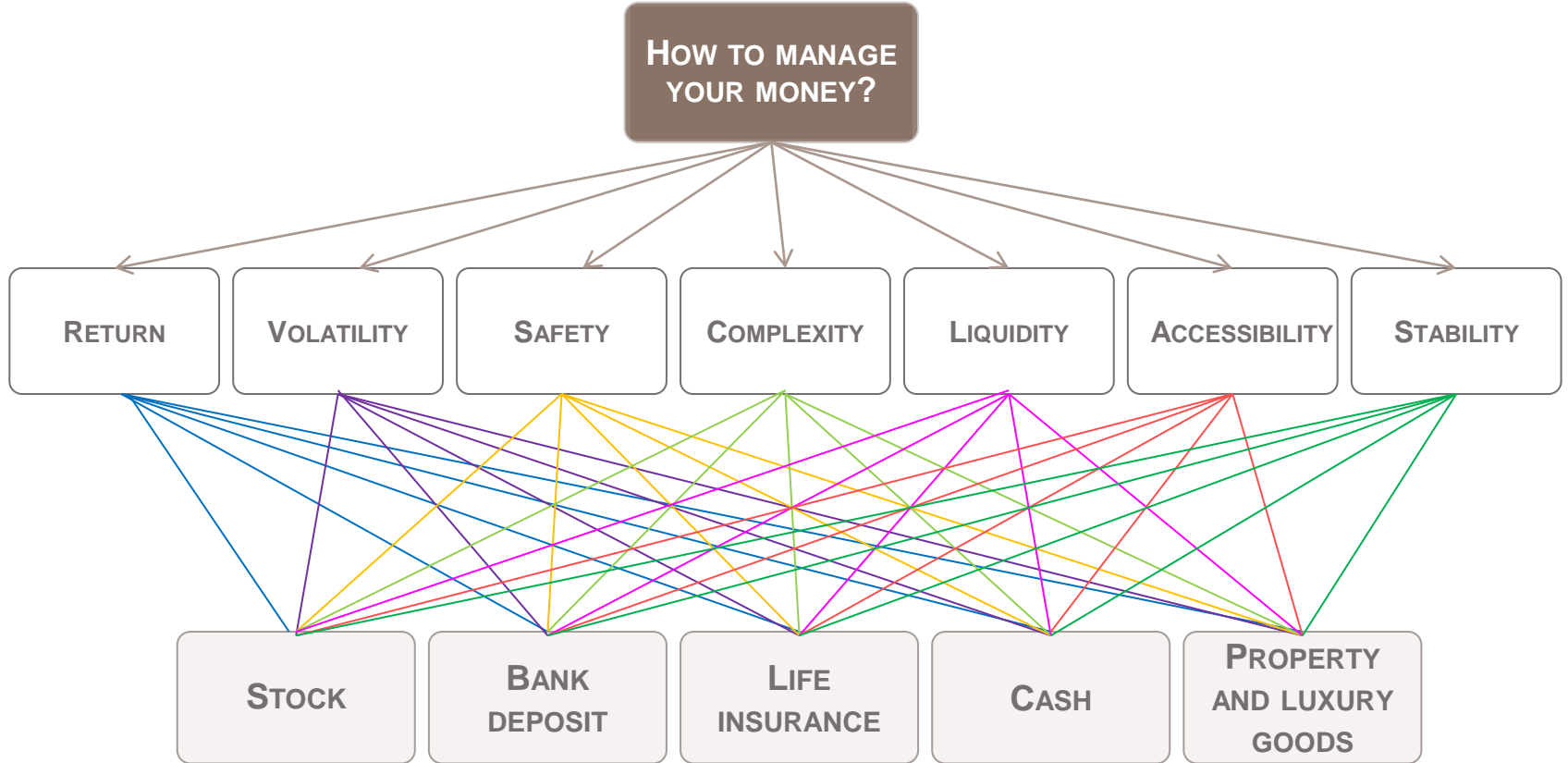


Table 1. The fundamental scale for pair-wise comparisons

Intensity of Importance	Definition	Explanation
1	Equal importance	Two activities contribute equally to the objective
3	Weak importance of one over another	Experience and judgment slightly favor one activity over another
5	Essential or strong importance	Experience and judgment strongly favor one activity over another
7	Demonstrated importance	An activity is strongly favored and its dominance is demonstrated in practice
9	Absolute importance	The evidence favoring one activity over another is of the highest possible order of affirmation
2,4,6,8	Intermediate values between the two adjacent judgments	When compromise is needed

Table 2. Matrix of pair-wise comparisons of the criteria

	Return	Volatility	Safety	Complexity	Liquidity	Accessibility	Stability
Return	1	2	1/2	3	1/2	1/3	1/5
Volatility	1/2	1	1/3	1	1/2	1/4	1/6
Safety	2	3	1	3	4	4	1
Complexity	1/3	1	1/3	1	1/4	1/3	1/7
Liquidity	2	2	1/4	4	1	1	1/3
Accessibility	3	4	1/4	3	1	1	1/2
Stability	5	6	1	7	3	2	1

Source: Authors; CR = 0.0586

Weight coefficients for the criteria

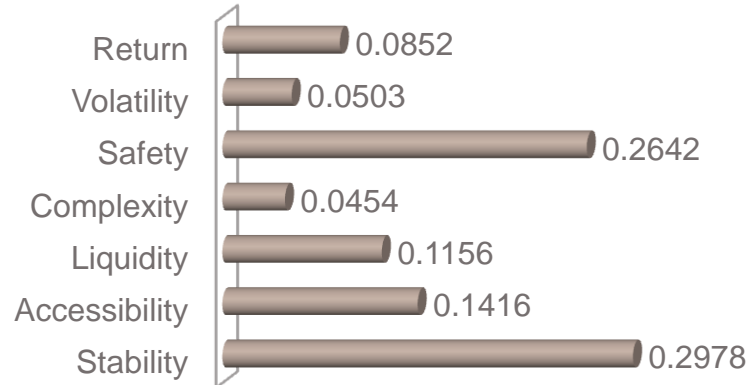









Table 3. Summarized results for the alternatives


	Stock 	Bank Deposit 	Life Insurance 	Cash 	Property and luxury goods 
Return	0.5713	0.1185	0.1850	0.0387	0.0865
Volatility	0.0495	0.2425	0.0646	0.1106	0.5328
Safety	0.0424	0.1705	0.1480	0.0420	0.5970
Complexity	0.0436	0.3285	0.0436	0.4482	0.1361
Liquidity	0.0756	0.2262	0.0333	0.5205	0.1444
Accessibility	0.0720	0.1726	0.0369	0.4909	0.2275
Stability	0.0606	0.1808	0.1971	0.0340	0.5275
Overall priorities	0.0996	0.1865	0.1280	0.1789	0.4069
Ranking	5	2	4	3	1

CONCLUSIONS



 The decision-making regarding personal finance among young people is a multi-layered, social and economic issue, which is related to the level of youth unemployment and underemployment and the lack of financial literacy;

 The motive for saving and investing is secondary, despite the primary need to provide a decent life;

 Insufficient investment in our country is a result of the modest supply of attractive financial instruments, low living standard, the risk culture and the traditional habits of consumption and savings;

 Apart from the campaigns already created, further encouraging young people to make better and more informed decisions is necessary.

**THANK YOU FOR YOUR
ATTENTION!**

