UDC 336
DOI: https://doi.org/10.32782/2708-0366/2026.29.25

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BEHAVIORAL ASPECTS OF PERSONAL FINANCE MANAGEMENT IN THE CONTEXT OF CONTEMPORARY BANKING DEVELOPMENT

ПОВЕДІНКОВІ АСПЕКТИ УПРАВЛІННЯ ОСОБИСТИМИ ФІНАНСАМИ В КОНТЕКСТІ РОЗВИТКУ СУЧАСНОЇ БАНКІВСЬКОЇ СПРАВИ

The article examines the behavioral aspects of personal finance management in the context of contemporary banking development. It is substantiated that individuals' financial decisions are shaped not only by income levels and access to banking services but also by emotions, cognitive biases, financial literacy, prior experience, and the digital environment. The effects of present-oriented consumption, loss aversion, mental accounting, overconfidence, and herding behavior on saving, borrowing, and investment decisions are identified. The dual impact of digital banking on customers' financial discipline is revealed. The study proposes measures aimed at fostering responsible financial behavior through budgeting, automated savings, greater transparency of banking products, and enhanced financial literacy.

Keywords: *personal finance, behavioral finance, financial literacy, banking services, digital banking, financial behavior, lending, savings, financial discipline.*

У статті досліджено поведінкові аспекти управління особистими фінансами в контексті розвитку сучасної банківської справи й активної цифровізації фінансових послуг. Обґрунтовано, що фінансові рішення населення визначаються не лише рівнем доходів, доступністю банківських продуктів та економічним середовищем, а й емоціями, когнітивними упередженнями, попереднім досвідом, соціальним впливом, рівнем фінансової та цифрової грамотності. Розкрито сутність раціонального та поведінкового підходів до управління особистими фінансами, визначено їх відмінності та вплив на споживчу, ощадну, кредитну й інвестиційну поведінку. Систематизовано основні поведінкові упередження, зокрема уникнення втрат, ментальне обліковування, надмірна впевненість, ефект наслідування, упередження поточного моменту та якірний ефект. Встановлено, що їх прояв може спричиняти імпульсивні витрати, недостатні заощадження, надмірне боргове навантаження, необґрунтований вибір банківських продуктів і ризикові інвестиційні рішення. Розкрито подвійний вплив цифрового банкінгу на фінансову поведінку клієнтів: цифрові сервіси дають змогу контролю доходів і витрат, автоматизації платежів, формування накопичень та управління бюджетом, але водночас можуть посилювати імпульсивне споживання й спрощувати доступ до кредитування. Обґрунтовано необхідність підвищення фінансової дисципліни населення шляхом регулярного бюджетування, створення резервного фонду, контролю боргового навантаження, автоматичного формування заощаджень та критичного оцінювання фінансових пропозицій. Визначено роль банківських установ у формуванні відповідальної фінансової поведінки через забезпечення прозорості умов продуктів, розвиток персоналізованих цифрових сервісів, консультаційної підтримки, інструментів аналізу витрат і програм фінансової грамотності. Встановлено, що поєднання особистої фінансової відповідальності, фінансової та цифрової грамот-

ності й клієнтоорієнтованої діяльності банків є важливою передумовою підвищення фінансової стійкості домогосподарств.

Ключові слова: *особисті фінанси, поведінкові фінанси, фінансова грамотність, цифрова фінансова грамотність, банківські послуги, цифровий банкінг, фінансова поведінка, кредитування, заощадження, фінансова дисципліна.*

Problem statement. The contemporary development of banking is taking place amid the rapid digitalization of financial services, the widespread adoption of remote banking, mobile applications, contactless payments, credit products, and investment services. Under these conditions, the effectiveness of personal finance management is determined not only by individuals' income levels or access to banking services but also by the specific features of their financial behavior, including their propensity to save, borrow, invest, and make risk-related decisions.

Individuals' financial decisions are often influenced by emotions, stereotypes, insufficient financial literacy, information pressure, advertising, and behavioral biases. Such factors may result in excessive consumer borrowing, inefficient allocation of financial resources, inadequate savings, inappropriate selection of banking products, and a decline in household financial resilience.

The issue becomes particularly relevant in an unstable economic environment characterized by inflationary pressures, war-related risks, and a growing need for financial security. Banking institutions, in turn, need to take customers' behavioral characteristics into account when designing product portfolios, developing digital services, implementing communication strategies, and introducing financial advisory tools. Therefore, the study of behavioral aspects of personal finance management in the context of contemporary banking development is important for improving financial literacy, promoting the rational use of financial resources, and strengthening public trust in the banking system.

Literature review. Behavioral aspects of financial decision-making have been extensively examined by international and domestic scholars within the fields of behavioral finance, financial literacy, and retail banking development. The theoretical foundations for studying the behavior of economic agents in financial decision-making were established by D. Kahneman and A. Tversky [1], who demonstrated the influence of cognitive biases, heuristics, and emotional factors on individual choices under uncertainty. A significant contribution to the development of behavioral economics was made by R. Thaler [2], who explored the possibilities of modifying consumers' financial behavior through nudging mechanisms and the creation of an appropriate financial decision-making environment.

The influence of psychological factors on investment, borrowing, and saving decisions has been addressed in the works of H. Shefrin [3], N. Barberis [4], R. Shiller [5], and other representatives of behavioral finance. Their studies emphasize such phenomena as overconfidence, loss aversion, the tendency to imitate the behavior of other market participants, short-term thinking, and an insufficient capacity to plan for future financial needs.

A separate strand of research is represented by the works of A. Lusardi and O. S. Mitchell [6; 7], which focus on financial literacy and its impact on savings, the use of credit resources, retirement planning, and household financial resilience. Their findings demonstrate that insufficient financial knowledge combined with behavioral biases may lead to poorly grounded financial decisions and increase households' vulnerability to economic risks.

Domestic academic research devotes considerable attention to the development of financial literacy, the digitalization of banking services, consumer protection in financial markets, and strengthening public confidence in the banking system. At the same time, behavioral factors affecting personal finance management amid the rapid expansion of mobile banking, digital payment instruments, online lending, and remote investment services require further comprehensive investigation. In particular, insufficient attention has been paid to incorporating customer behavioral patterns into the development of personalized financial products, financial advisory services, and mechanisms aimed at strengthening household financial security.

Purpose of the Article. The purpose of the article is to examine the behavioral aspects of personal finance management in the context of contemporary banking development, identify the key factors influencing individuals' financial decisions, and substantiate approaches to enhancing the effectiveness of interaction between banking institutions and their customers.

To achieve this purpose, the study addresses the following objectives: to analyze the nature and role of behavioral factors in personal finance management; to identify the most common cognitive and psychological biases affecting individuals' saving, borrowing, and investment behavior; to characterize the impact of banking digitalization on customers' financial decisions; and to substantiate practical approaches to improving financial literacy, strengthening financial discipline, and developing customer-oriented banking products and services.

Main Results. Personal finance management represents a systematic process of planning, allocating, using, and controlling the financial resources of an individual or household. It encompasses income generation, current expenditure, savings accumulation, the use of borrowed funds, investment, insurance, and the establishment of financial reserves. Under contemporary conditions, these processes are increasingly implemented through banking products and digital financial services, including payment cards, deposits, loans, mobile banking, electronic wallets, automated payments, and investment platforms.

The traditional approach to financial behavior assumes that individuals make rational decisions by comparing expected income, expenditure, and risks. Behavioral finance, however, demonstrates that actual financial decisions are frequently influenced by emotions, cognitive biases, previous experience, stereotypes, and the social environment. D. Kahneman and A. Tversky demonstrated that under conditions of risk individuals evaluate potential losses and gains asymmetrically: a potential loss is perceived as psychologically more significant than an equivalent gain [1].

Behavioral factors are particularly evident in personal finance because most decisions concerning consumption, borrowing, saving, and investment are made under conditions of limited information or time constraints. This necessitates a combination of financial literacy, financial discipline, and modern digital tools for personal budget management. At the same time, the nature of financial decision-making differs considerably depending on whether an individual's behavior is primarily based on rational analysis or shaped by behavioral factors. The principal differences between rational and behavioral approaches to personal finance management are summarized in Table 1.

Table 1

Comparative characteristics of rational and behavioral approaches to personal finance management

Criterion	Rational Approach	Behavioral Approach
Basis for decision-making	Analysis of income, expenditure, risks, and financial goals	Emotions, habits, intuition, social influence, and previous experience
Attitude toward information	Full or sufficient consideration of available information	Selective perception of information and simplification of complex conditions
Planning horizon	Predominantly long-term	Frequently short-term and oriented toward current consumption
Use of credit	Assessment of the total cost of credit and repayment capacity	Focus on the speed of obtaining funds or the amount of the monthly payment
Formation of savings	Regular accumulation in accordance with a financial plan	Saving on a residual basis or failure to save
Investment decisions	Diversification and assessment of risk and expected returns	Imitation of other investors, overconfidence, and loss aversion
Outcome	Enhanced financial resilience	Risk of impulsive spending, excessive indebtedness, or inefficient investment

Source: compiled by the author based on [1–7]

One of the most common behavioral tendencies is a preference for present consumption. Individuals may prioritize the immediate use of funds over building an emergency reserve, saving for major purchases, or investing. Such behavior reduces a household's ability to cope with unexpected expenses, income loss, or other financial risks.

An important manifestation of behavioral financial decision-making is mental accounting. R. Thaler defined it as a set of cognitive operations through which individuals and households organize, evaluate, and monitor their financial activities [2]. In practical terms, this means that funds received from different sources-such as wages, bonuses, gifts, cashback, or loans-may be perceived differently despite having the same economic value. For example, additional income may be spent impulsively, whereas a portion of regular salary income is allocated to mandatory payments.

Loss aversion has a substantial influence on financial decisions. Individuals may reject investment opportunities because of the fear of a possible decline in asset value or, conversely, continue to hold loss-making assets because they are reluctant to realize a loss. H. Shefrin and M. Statman substantiated the disposition effect, according to which investors tend to sell profitable assets too early while holding losing assets for too long [3].

Overconfidence in one's own knowledge is another widespread behavioral bias. It may manifest itself in insufficient scrutiny of banking agreements, underestimation of credit risk, disregard for fees and penalties, and overestimation of one's ability to forecast market developments. N. Barberis, A. Shleifer, and R. Vishny demonstrate that psychological characteristics underlying expectation formation may lead to both underreaction to new information and overreaction to sequences of positive or negative signals [4]. Thus, behavioral biases may significantly affect the nature of financial decisions, their consequences, and an individual's level of financial resilience. The principal manifestations of such biases, their potential financial consequences, and relevant mitigation tools are systematized in Table 2.

The development of digital banking simultaneously creates new opportunities and new behavioral risks. On the one hand, mobile applications enable users to monitor cash flows

Table 2

Impact of Behavioral Biases on Personal Finance Management

Behavioral Bias	Nature of the Bias	Potential Financial Consequences	Appropriate Mitigation Tool
Loss aversion	Psychological perception of a loss as more significant than an equivalent gain	Avoidance of investment or prolonged holding of loss-making assets	Diversification, an investment plan, and regular portfolio review
Mental accounting	Division of funds into subjective categories depending on their source or intended purpose	Irrational income allocation and unjustified spending of bonuses or cashback	Integrated budgeting and monitoring of the overall financial outcome
Overconfidence	Overestimation of one's own financial knowledge and capabilities	Unjustified borrowing and excessively risky investment	Comparison of financial products, professional advice, and verification of contractual terms
Herding behavior	Reliance on decisions made by acquaintances, influencers, or the majority	Selection of an unsuitable loan, deposit, or investment instrument	Independent assessment of needs, risks, and financial capacity
Present bias	Preference for current consumption over future benefits	Lack of savings and insufficient emergency reserves	Automated savings and allocation of a fixed share of income to savings
Anchoring effect	Excessive reliance on the first observed amount, interest rate, or promotional offer	Suboptimal selection of credit or deposit products	Comparison of several offers and assessment of the total cost of the financial service

Source: compiled by the author based on [1–4]

promptly, automate payments, establish spending limits, set savings goals, and analyze expenditure patterns. On the other hand, the ease of contactless payments, rapid access to online credit, and constant availability of financial services may intensify impulsive consumption and increase the risk of excessive debt burdens.

Research on financial literacy confirms that the level of financial knowledge is directly associated with individuals' willingness and ability to plan, save, and make informed use of financial products [6; 7]. The OECD defines financial literacy as a combination of knowledge, skills, attitudes, and behaviors necessary to make sound financial decisions and ultimately achieve individual financial well-being [8]. Accordingly, in a digital environment, not only basic financial literacy but also digital financial literacy becomes particularly important. An individual's financial behavior is shaped by the combined influence of financial knowledge, individual behavioral characteristics, the social environment, and available digital financial tools. The interrelationship between these factors is summarized in Figure 1.

The digital financial services sector requires responsible behavior on the part of both users and banking institutions. The World Bank notes that digital financial services can reduce transaction costs and make financial transactions faster and more accessible, while simultaneously creating consumer risks, particularly in the areas of digital lending, personal data protection, cybersecurity, and transparency of financial product terms and conditions [9; 10].

Under contemporary conditions, banks should perform not only the traditional intermediary functions associated with payments, lending, and safeguarding funds but also act as partners in fostering responsible financial behavior among customers. This may be achieved through the implementation of automated savings tools, personalized budgeting services, reminders concerning mandatory payments, expenditure analysis, assessment of customers' debt burdens, and financial advisory services.

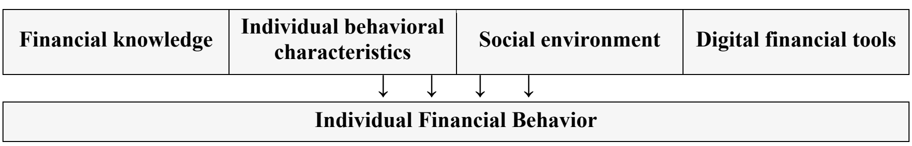

Figure 1. Interrelationship among the Factors Shaping Individual Financial Behavior
Source: compiled by the author based on [1–8]

Table 3

Impact of Digital Banking Services on Personal Finance Management

Digital Service	Positive Impact	Potential Behavioral Risk	Recommended Use
Mobile banking	Rapid monitoring of account balances and payments	Frequent unplanned transfers and spending	Establishing limits and notifications
Contactless payments	Convenience and speed of transactions	Reduced psychological awareness of spending	Regular review of transaction history
Online lending	Rapid access to funds	Impulsive borrowing without adequate debt-burden assessment	Analysis of the total cost of credit and repayment schedule
Automated savings	Development of regular saving habits	Insufficient flexibility when income changes	Periodic review of the automated transfer amount
Expense categorization	Greater transparency of the personal budget	Formal monitoring without actual behavioral change	Establishment of spending limits by category
Investment services	Access to investment instruments	Imitation of popular strategies or speculative behavior	Investment in accordance with the individual risk profile

Source: compiled by the author based on [8–10]

An important area of banking activity is ensuring transparency in the terms and conditions of financial products. Customers should be able to compare credit offers easily, understand the total cost of borrowing, assess the risks associated with late payments, and make decisions consistent with their own repayment capacity. In this context, financial literacy and the protection of financial consumers' rights should be regarded as interrelated components of household financial resilience.

Thus, the behavioral aspects of personal finance management constitute an important determinant of household financial resilience and the effective development of the banking system. Sound financial decision-making requires an appropriate level of financial literacy and financial discipline, a critical approach to borrowing, regular savings, and the use of digital monitoring tools.

Banking institutions, in turn, should facilitate responsible financial behavior by providing transparent products, accessible advisory services, digital budgeting tools, and effective protection of financial consumers' rights.

Conclusions. The study demonstrates that personal finance management in the context of contemporary banking development is determined not only by income levels, the availability of banking products, and access to digital services but also by the behavioral characteristics of financial consumers. Individuals' financial decisions are frequently influenced by emotions, cognitive biases, previous experience, the social environment, and insufficient financial literacy.

The most common behavioral factors influencing personal finance management include a preference for present consumption, loss aversion, mental accounting, overconfidence in one's financial knowledge, herding behavior, and an orientation toward obtaining immediate financial benefits. These factors may result in impulsive expenditure, insufficient savings, excessive reliance on borrowed funds, poorly grounded investment decisions, and increased household financial vulnerability.

The digitalization of banking services has been shown to exert a dual influence on individuals' financial behavior. On the one hand, mobile banking, automated payments, expenditure-monitoring services, and automated saving tools provide additional opportunities for personal budget planning and improved financial discipline. On the other hand, easy access to rapid online payments and credit products may stimulate impulsive consumption and contribute to insufficiently informed borrowing decisions.

The findings indicate that financial discipline is an essential prerequisite for household financial resilience. Such discipline involves regular monitoring of income and expenditure,

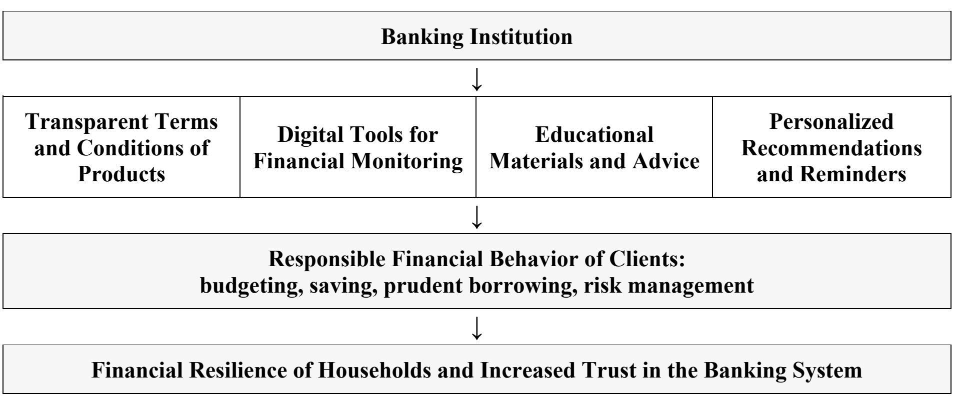

Figure 2. Directions of the Influence of Banking Institutions on the Formation of Responsible Financial Behavior of Clients

Source: compiled by the author based on [8–11]

the establishment of financial goals, the creation of an emergency fund, the management of debt burdens, and the rational use of borrowed resources. Particular importance should be attached to developing a habit of regular saving, including through automated banking savings services.

Banks should play a more active role in promoting responsible financial behavior among their customers. This objective may be achieved by improving transparency in the terms and conditions of financial products, developing personalized budgeting instruments, implementing automated payment reminders and expenditure analysis services, providing advisory support, and delivering financial literacy programs.

Therefore, improving the effectiveness of personal finance management requires an integrated combination of individual financial responsibility, an adequate level of financial and digital literacy, the use of contemporary banking technologies, and stronger customer-oriented practices by banking institutions. A promising direction for further research is the development of practical models for personalizing banking products while taking into account the behavioral characteristics of different customer groups.

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Дата надходження статті: 10.08.2026
Дата прийняття статті до публікації: 11.09.2026
Дата публікації статті: 29.09.2026