

## **A BEHAVIOURAL INSIGHT ON SAVINGS**

As the world gets even more volatile, an individual pursuit of financial safety becomes extremely intense. The necessity to save money comes to the forefront when we dwell upon the question of how we can protect our lives from its uncertainties. So securing our lives through financial planning becomes the inner core on which our lives revolve. However rational the previous statements may be, the reality proves to be alarmingly different. According to recent behavioural surveys 11.5 million people in the UK have less than £100 in savings, leaving them incapable of withstanding financial shocks such as unexpected health issues or house repairs [1]. A lack of financial buffer can lead to a reduction in productivity, compounded mental health issues and a poorer quality of life. British Scientists remain pessimistic about the issue prognosing an increase of financially stretched individuals over the following year. The savings problem is relevant for the whole world, in places as diverse as Mexico, Australia, and Spain are hoping to help solve the problem that too few people are saving enough for retirement, especially for those with lower incomes who fall outside of traditional pension and retirement structures. The issue is crucial for Belarus as well.

The objective of this research is to reveal efficient applicable ways of overcoming savings issue and stimulating savings among individuals that would increase their financial wellbeing.

The conducted analysis shows that there's a huge diversity of behavioural projects that have developed sophisticated ways of tackling the issue of savings. The project that has been chosen for the research involves a convenient savings app for individuals called The Level. The product acts as a payroll savings scheme which was created by Behavioural Insights Team. The app works by automatically depositing a portion of an employee's salary each month into a savings account with competitive interest rates. The initial implementation of the scheme revealed that four times as many people signed up for payroll savings when they received an email which included the 'soft default' message "we've opened an account for you" in comparison with a standard promotional email. The main reasons are the convenience and automation conveyed by the message, that people appreciate [2].

The research findings show a range of reasons why people signed up. The first and foremost is automation, because the app provides an easy method of regular saving direct from earnings and separate from the bank before an employee has a chance to spend money. Another reason is starting to save, as the user said the Level was a "simple platform on which to start saving into a rainy day saving pot". The third one is good interest rates, because interest rates were higher than those in banks. There are also other reasons mentioned by users. The results of savings app implementation are clear: participants were more confident about managing their finances after six months of using

the product; many savers (44%) attributed their improved financial situation to the Level payroll savings product, with no participants reporting that their financial situation had worsened whilst using the product.

Another significant innovation from behavioural scientists is prize-linked savings account called Start to Save. The account aims to help people, who might otherwise struggle to save, to begin a savings habit through offering attractive interest rates, easy access to their funds, and incentives for small, regular deposits. The creation of this product relies heavily on behavioural effects, that are considered to be an efficient tool for conveying economic stimulus. One of the fundamental effects applied in product creation is framing, which is defined as the phenomenon whereby our decisions are influenced by the way information is presented. Equivalent information can be more or less attractive depending on what features are highlighted. For example, a yoghurt that is labelled as “90% fat free” may be more attractive than one that says “10% fat”. Framing the monetary commitment required in terms of a daily amount, for instance less than the cost of a cup of coffee, is likely to appeal more to customers, and appear more manageable, than a monthly savings goal.

The “saving through spending” setup is another innovative way that helps people grow their retirement savings or savings for a specific goal. Imagine you’re at the grocery store, picking up food for the week – bread, eggs, milk, fruit and vegetables, your son’s favourite afterschool snack, the coffee your partner really likes. The total comes to \$100. As you swipe your debit card to pay, \$20 is automatically added to your retirement account. You spent \$100 and saved \$20 for your future financial security. This setup has been applied in many countries and is actively used to solve the problem that too few people are saving enough for retirement.

Summing it up, it should be stated that behavioural insights can encourage more people to make savings. The aforementioned products for saving money have demonstrated their convenience and have already increased the number of people who make significant savings in The UK and worldwide. Those who sign up for payroll savings or makes savings via accounts like Start to Save may increase their confidence in managing their money and built a regular savings habit that in turn gradually creates savings buffer. However, there’s still more to be done, as there might be a deviation in the ultimate results of such behavioural projects when applied in different countries due to some cultural peculiarities. The use of such savings apps and accounts needs to be tested in our native country so as to estimate its impact on savings behaviour of Belarusian households.

#### **REFERENCES:**

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## **RISK MANAGEMENT**

There has always been such a problem as risk management. Today, risk accompanies almost all areas of activity. Thus, risks arise in any activity of an economic entity, and they should be paid careful attention to in order to find optimal solutions in the field of risk management. Currently, the theory of enterprise risk management continues its active development, based on economic and mathematical methods and information technologies. But the modern period of development requires maximum disclosure of the specifics of this procedure for managing special systems, the expiration of their uncertainty principle. There is a large number of papers devoted to reliability issues, but scientists have not made a generally accepted decision.

Some authors note the physical component of reliability, some – economic, and others consider that reliability is one of the elusive conditions for the systems functioning. The concept of the stability of the functioning of the enterprise and the reliability of its management is directly related to the concept of risk. In general, under the risk, they usually imagine something terrible, the worst possible situation, which can lead to various kinds of losses, failures. Risk is a complex phenomenon that has many different, and sometimes opposite, bases. This leads to the existence of a number of different definitions of the concept of "risk", to various degrees corresponding to the scope of their application. To date, there is no such universal interpretation of this concept in science.

If we consider the risk in the company's activities, it recommends considering the possibility of adverse situations and consequences. Risk management should take place through preliminary research and analysis of the situation, the formation of a system of modern impacts through various measures aimed at reducing the likelihood of risk. Sometimes, when making difficult decisions, a person is rarely guided by economic and financial models. Losses frighten us, so people try to risk even more than necessary, but it does not always end well.

Then it is necessary to identify the main actions necessary to prevent or reduce risk. All procedures and actions aimed at reducing the volume and price of risk, as well as the operating factors, are very costly in their implementation. This means that in order for the firm not to lose its competitiveness in the system and maintain financial viability and