



Relationship between Materialism and Financial Risk with the Mediating Role of Emotions and Indebtedness

Soma Mozafari^{1*}, Soran Mowlaie², Kamyar Bahmani³

¹ MSc of Management, Department of Management, Sanandaj Branch, Islamic Azad University, Sanandaj, Iran.

² Phd student of Marketing Management, Young Researchers and Elite Club, Sanandaj Branch, Islamic

³ MSc of Management, Department of Management, Sanandaj Branch, Islamic Azad University, Sanandaj, Iran.
Azad University, Sanandaj, Iran

Abstract

The purpose of this paper is examination the relationship between Materialism and Financial Risk and with the mediating role of propensity toward indebtedness and emotions So 102 private banks customers in sanandaj selected with stratified Sampling by using kocran's formula after collecting 30 primary questionnaire and calculating final sample number. This study is an applied research and the method is correlational research component and the data collection method was a quantitative research. Measurement tools are standard questionnaire. First Face validity confirmed by related professors of university and then the content validity confirmed by CFA test and PLS software. Pearson correlation tests and SEM were used to test hypothesis relationships. Results show that there is a meaningful negative relationship between Materialism and propensity toward indebtedness and also positive relationship between propensity toward indebtedness and emotions and also propensity toward indebtedness and Financial Risk.

Keywords: Banks Customers, Emotions, Financial Risk, Indebtedness, Materialism, Propensity Toward

1. Introduction

A cursory review of past literature reveals that researchers have examined materialism primarily along two avenues: one puts materialism within a macro framework involving political interest or civic engagement (e.g. Davis et al., 1999; Inglehart, 1990); the other one takes a micro perspective exploring the impact of materialism on consumer attitudes and behavior (e.g. Park and Rabolt, 2009; Xiao and Kim, 2009). Materialism is one of the hallmarks of modern societies. Many researchers and scholars have tried to conceptualize materialism. In addition to Belk's conceptualization discussed earlier, Richins and Scott (1992) view materialism as a phenomenon where individuals have material acquisition at the center of their lives and view these material possessions as the key to their happiness. Concurrently, they believe that highly

materialistic individuals judge personal success (and the success of others) as a function of the number and quality of possessions owned (Richins and Scott, 1992). Materialism is the interest in acquiring goods and the importance one attaches to worldly possessions (Belk, 1985). The meaning associated with acquiring material goods may also influence the way people interpret their environment and structure their lives (Richins, 2004). Harmon (2001) contended that, \ materialism speaks to the connection of success or happiness with possessing or obtaining goods. Materialists refer to those who view acquiring wealth and possessing properties as their central life goals (Chang and Arkin, 2002). Researchers have found that materialism has significant effects on greater society and individual consumers alike. It has been linked to a variety of consumer behavior including social consumption motivation (Fitzmaurice and Comegys, 2006),

*Author for correspondence

consumer buying patterns (Roberts et al., 2003), brand perception (Kamineni, 2005), attitude toward advertising (Yoon, 1995), social influence conformity (Schroeder and Dugal, 1995), and conspicuous consumption (Podoshen et al., 2011). Previous research also found that an individual's level of materialism is influenced by factors such as self-doubt, insecurity, and issues surrounding specific family structures (Chang and Arkin, 2002; Roberts et al., 2003, 2006). Fitzmaurice and Comegys (2006) found that materialism is positively related to social consumption motivation, opinion leadership, time spent shopping, and spending.

The word risk derives from the Old Italian *risicare*, which means "to risk". According to Bernstein (1996), the concept of risk marks thousands of years of history because it can be considered a revolutionary idea that guides decision making in volatile environments and that overcomes uncertainty. The capability to analyze financial risks begins with the seminal work of Altman and his Z-score model (Altman, 1968) that employs multiple discriminant analysis to estimate metrics for financial health. Altman's work initiated a large number of similar studies that expanded the field to include logistic regression and neural network models. While these "legacy" models have been effective, the initial motivation for these models was to support decisions of financial intermediaries to grant or deny credit financing (Dellana and West, 2016). In a study specifically on the objective and subjective factors that influence family debt in Germany, Keese (2010) evaluates personality traits through the perception of risk. On a risk scale of 11 points, it is concluded that risk attitude does not significantly influence subjective issues of debt, but it appears as a representative in structures of covariance. On the other hand, several authors indicate that the issue of risk influences decision making, as in the case of Garling et al. (2009), which highlights that risk perception is an essential component of financial decision making and other risk-related behaviors.

This factor is linked to individual ability to express emotions (positive or negative) when handling financial decisions. Roazzi et al. (2011) suggest that defining the word emotion is a difficult task. These authors contend that this factor constitutes a complex and multifaceted concept and depends on the form of expression, the sociocultural context, the historical moment, and the significance that each subject gives to emotions. Considering this context, Roazzi et al. (2011) classify emotions into three categories: background emotions, primary emotions, and social emotions. Background emotions may be long-lasting and influence how primary emotions are expressed, for example, apathy. Primary emotions are those that people easily identify, such as anger and fear. Ferreira (2006) shows that, depending on the level of debt, individuals may commit a significant portion of their income. Gathergood (2011) stresses that studies should examine the factors that influence the increase in debt and, consequently, that cause individual indebtedness. According to Davies and Lea (1995), the research on aspects that drive indebtedness is highlighted in Katona (1975). For this author, there are three reasons that explain why individuals spend more than they earn: (i) low income, such that they cannot even cover essential expenses; (ii) high income, combined with a strong desire to spend; and (iii) a lack of desire to save (regardless of income). The importance of the Katona study lies in its discussion of the origin of credit problems, evaluating not only economic factors but also psychological and behavioral ones. Following this perspective, Vitt (2004) notes that consumer financial decisions involve a number of psychological, physical, and social values, often rooted in emotion.

Shopping is an unrepeatable part of day life. Meanwhile purchasing is enjoyable and improves efficiency, in other hand, acts like a threat for financial and intrinsic manner. Nonetheless past researches did not disclosure such differences in consumer behavior and also there is no tool

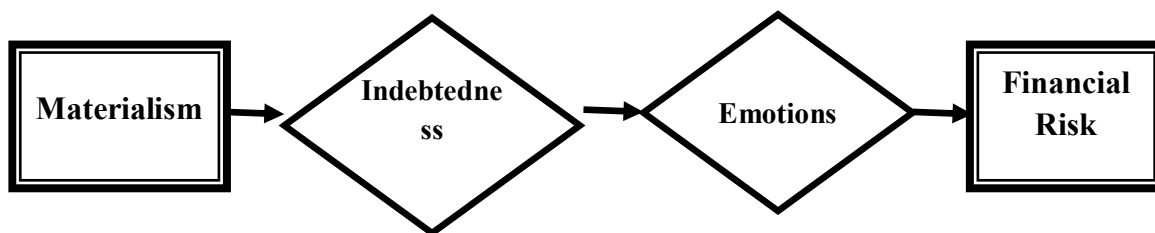


Fig 1: conceptual model

Source: Flores and Vieira (2014)

Table 1. Kolmogorov–Smirnov test results

		Financial Risk	Materialism	Emotions	Indebtedness
N		102	102	102	102
Normal Parameters ^a	Mean	3.8260	3.9342	4.0772	3.9853
	Std. Deviation	.60299	.55371	.43976	.44925
Most Extreme Differences	Absolute	.108	.125	.104	.077
	Positive	.108	.125	.099	.077
	Negative	-.104	-.101	-.104	-.072
Kolmogorov-Smirnov Z		1.086	1.262	1.048	.781
Asymp. Sig. (2-tailed)		.189	.083	.222	.575

Table 2. the correlation coefficient results of the variables of the study

Hypothesis	Independent variable	Dependent variable	Significance level	Correlation coefficient	Result of the test
The first main Hypothesis	Materialism	indebtedness	0.000	0.639	H ₀ is rejected
The second main Hypothesis	indebtedness	Emotions	0.000	0.529	H ₀ is rejected
The third main hypothesis	Emotions	Financial Risk	0.046	0.611	H ₀ rejected

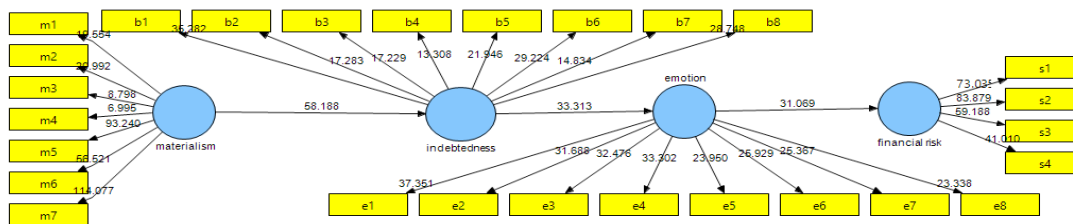


Fig 2: Sem results in T Statistics mode

for estimating them (Moura, 2005). Shopping is a common part of routine life however a lot amount of resources utilized to identifying wrong material facts and materialism, in area of purchase behavior much subjects remain unknown. Materialism results in success or defaults base on cultures. In the context of west culture for example materialism led to technology progress and human achievements because the passion of better life among people. In some cultures with lower desire, materialism is the element of welfare. So monitoring materialism concludes in adjusting indebtedness, negative emotions and finally financial risk. this could results in correct money cycling to manage long term financing (Ponchio, 2006).

So following question derived from above statements

How extent there is a meaningful relationship between materialism and financial risk with the mediating role of emotions and indebtedness?

2. Method

This research is applicable in terms of goal and descriptive from solidarity category in terms of methodology and is survey in terms of collecting data. To examine the theoretical bases and literature of research, library method and documentary research (books, articles, and periodicals) have been used. Statistical population is private banks customers in city of sanandaj so 102 person selected with stratified Sampling by using kocran's formula after collect-

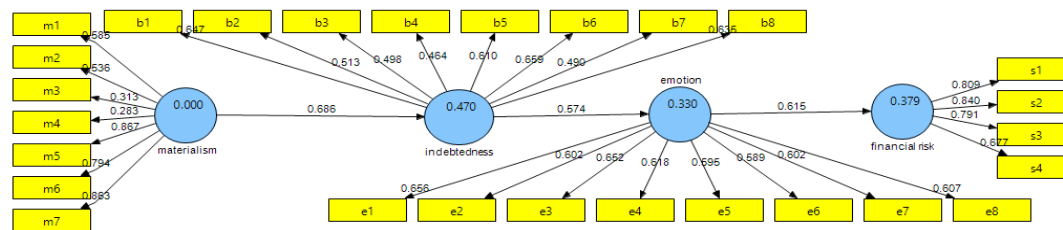


Fig 3. Sem results in standard loading mode

ing 30 primary questionnaire and calculating final sample number. 4 standard questionnaires were used for collecting data that consist of Moura (2005) with 8 items for indebtedness and 7 items for materialism, Matta (2007) with 8 items for emotions and Santo and et al (2010) with 4 items for financial risk.

3. Data analysis

First the Kolmogorov–Smirnov test used for determines normal distribution of variable and because all significance level is below 0.05 so they have normal distribution and the Pierson correlation test is used for hypothesis relationships.

As it shown in table 2 all Hypothesis are confirmed in level of significance 0.95

The results of SEM test with PLS method is shown in fig 2 and 3. As it shown in fig 3 Materialism has a significant standard loading (0.686) with indebtedness, indebtedness has a significant standard loading (0.574) with Emotions and Emotions has a significant standard loading (0.615) with financial risk too.

As it shown in Fig3, all T Statistics are more than 1.96 so all routes is meaningful in level of significance 0.95.

4. Results

With respect to financial risk, the central theme of this study, the hypotheses related to this construct are confirmed. Therefore, financial risk may be influenced by behavioural factors, such as indebtedness, materialism and emotion. People who classify money as a form of power and status tend to maintain a high level of consumption, which may lead to more risk. This scenario also encompasses materialism. People who have high levels of materialism have, as a consequence, high levels of propensity toward indebtedness. With respect to the

influence of indebtedness, individuals with higher negative emotions tend toward high levels of risk and their passion encourages unplanned expenses. Regarding this behaviour, people who are materialism are more willing to be in financial risk.

Despite the problems highlighted above, indebtedness is an issue of extreme importance. The recent economic crisis has established a new consumer profile, one that is more consumerist and willing to take on more risk, such as in the form debt. The supply of credit has expanded to include consumers in social classes previously excluded.

Further studies should be developed to identify the main factors that lead to indebtedness. Finally, it is important to understand individual behaviour, which could lead to the development of actions to prevent indebtedness and assist defaulters. From an organizational viewpoint, banks can adapt their cash flow according to this new style of consumption and saving. Financial institutions can benefit by taking advantage of the possibility of building stronger models of credit offerings.

5. Reference

1. Almodarase, Mehdi, Mohammadi, Fatemeh and Bagheri. Hoshmand, (2015), "The Effect of Religion, Materialism and Consumer Demographic Characteristics on Mental Conflict Clothing", *Journal of Iranian Culture*, 8.
2. Bernstein, P.L., (1996). *Against the Gods: The Remarkable Story of Risk*. John Wiley & Sons, Inc., New York.
3. Chang, L. and Arkin, R.M. (2002), "Materialism as an Attempt to Cope with Uncertainty", *Psychology & Marketing*, 19, 389-406. Crossref
4. Davijani. Maryam, Nazari. Mohsen and Eafidani. Mohammad Rahim, (2014), "Investigation of Social Shopping for Fashion in Apparel Market of Tehran", *New Marketing Research Journal*, 2.
5. Dellana, Scott and West, David , (2016) "Survival Analysis of Supply Chain Financial Risk", *The Journal of Risk Finance*, 17, 130-151. Crossref

6. Ferreira, R., (2006), *Como Planejar, Organizar e Controlar Seu Dinheiro*. Thomson IOB, S o Paulo
7. Garling, T., Kirchler, E., Lewis, A. and Raaij, F.V., (2009). Psychology, Financial Decision Making, and Financial Crises. *Psychol. Sci. Public Interest* 10, 1–47. Crossref PMID:26168238
8. Ghaderi. Tahere and Rezaie. Sepideh, (2014), “The Relationship between Social Capital and Tendency to Fashion”, *Journal of Social Science*.
9. Harmon, M.D. (2001), “Affluenza: Television use and Cultivation of Materialism”, *Mass Communication and Society*, 4, 405-418. Crossref
10. Richins, M.L. (2004), “The Material Values Scales: Measurement Properties and the Development of a Short Form”, *The Journal of Consumer Research*, 31, 209-19. Crossref
11. Richins, M.L. and Scott, D. (1992), “A Consumer Values Orientation for Materialism and its Measurement: Scale Development and Validation”, *Journal of Consumer Research*, 19, 303-316. Crossref
12. Vitt, L.A., 2004. Consumers’ Financial Decisions and the Psychology of Values. *J. Finan. Service Prof.* 58, 68–77.