Chapter 8
Financial Services Market in an Ageing Society. Challenges for the Development of Silver Economy

Grażyna Krzyminiewska

Abstract The article addresses the issue of the ageing of societies and the need to adopt a new strategy for financial services aimed at the elderly people. Attention is drawn to the specifics of behaviour of senior citizens as financial services customers, resulting from historical experiences, income opportunities, competencies and their cognitive abilities. It is emphasised that financial services constitute a significant part of the silver economy development, necessary due to the need for protecting capital, preserving assets and preventing loss of savings of senior citizens. The article also points to the need to use the achievements of experimental economics, economic psychology and socioeconomics to study the causes of financial behaviours. The article fits into the trend of economic and social analyses and uses the achievements of social research. It was based on existing sources and own research. Desk research and descriptive analysis were used in the presentation of the issues addressed.

Keywords Financial services · Silver economy · Financial behaviours of elderly people

8.1 Introduction

In the modern world, accompanied by the society ageing process, there is a chance of developing silver economy if there is a clear change in attitude to the older generation. The first step towards the success of senior economy is to combat the phenomenon of ageism, which marginalises or even directly excludes senior citizens from mainstream social and economic life. Undoubtedly, cultural change related to the necessary changes in the mentality of all generations is crucial for the success of senior economy. This regards the elevation of the so-called III age as active and valuable both among the senior citizens, who withdraw from mainstream society due

G. Krzyminiewska (✉)
Department of Sociology and Business Ethics, Faculty of Economics, Poznań University of Economics and Business, al. Niepodległości 10, 61-875 Poznań, Poland
e-mail: grazyna.krzyminiewska@ue.poznan.pl

W. Tarczyński and K. Nermend (eds.), *Effective Investments on Capital Markets*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-030-21274-2_8

to age (and not necessarily medical condition), and younger generations, reluctant or hostile towards the growing population of elderly people. Older people, as a social category, much more often than in previous decades refuse to ‘stay in the shadows’, so it becomes necessary to use the potential of older people and their growing activity, develop intergenerational communication, change the image of the elderly as poor, clumsy, unnecessary and actively use their knowledge, experience and skills. This means overcoming intergenerational prejudices and stereotypes and creating social order friendly for all generations. The economy of the ageing population is both a challenge and chance for development, and its nature, concepts and assumptions may be beneficial for economy due to economic reasons and be a sign of concern for older people and their needs.

8.2 Silver Economy and Megatrends in the Global Economy

The dynamic social and economic phenomena occurring in the modern world encourage forecasting the development of the globalised world. Therefore, researchers take up the challenge of identifying megatrends which will affect the future economy. Experts from Deloitte, an international consulting company, determined which factors will be the most important on a global scale based on extensive analyses. Six megatrends were identified, including:

1. Industry 4.0—which blurs the boundaries between the physical, manufacturing and biological spheres in manufacturing processes, and its most significant solutions include the Internet of things, machine learning, artificial intelligence as well as augmented and virtual reality.
2. Circular economy enabling better allocation of resources. The existing linear resource use model ‘manufacture-use-throw away’ will be supported by the ‘closed-loop’ model in which any potential waste becomes a raw material.
3. Sustainable finance and investment with a view to environmental impact, where while measuring their income and return on investments, investors and entrepreneurs take into account not only costs and financial gains but also social and environmental benefits.
4. Electric vehicles as the answer to the interest of consumers and the increasing cost-effectiveness of such vehicles, which are crucial in the development of ‘sustainable cities’.
5. The growing importance of the talent labour market—the spread of flexible forms of employment and the coexistence of different generations in the labour market.
6. Silver economy related to longer professional activity, combined with the projected low pensions from the public system, influencing the tendencies regarding saving money and investing, searching for assets that will constitute a safe capital deposit and ‘old-age policy’ [5].

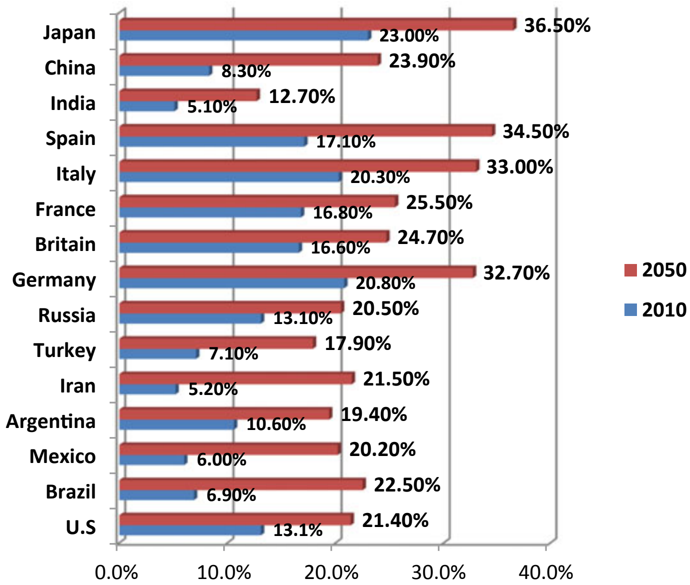

Fig. 8.1 Proportion of people 65 and older in a country's population, estimates for 2010 and 2050 in %. *Source* United Nations, Department of Economic and Social Affairs, World Population Prospects: 2012, Revision, June 2013, http://esa.un.org/unpd/wpp/index.htm, Pew Research Centre

The last megatrend mentioned here is the subject of multiple economic and social analyses due to the dynamics of population ageing, particularly characteristic of some regions of the world. Referring to the research by the Pew Research Center [14], it can be stated that 'The global population is on the brink of a remarkable transformation. Thanks to the ageing of today's middle-aged demographic bulge and ongoing improvements in life expectancy, the population of seniors is projected to surge, increasing from 530.5 million in 2010 to 1.5 billion in 2050. The result will be a much older world, a future in which roughly one-in-six people is expected to be 65 and older by 2050, double the proportion today'. The proportion of people aged 65 and more in the population of selected countries is presented in Fig. 8.1.

Also in Poland, according to the forecasts of the Central Statistical Office (GUS), the share of people aged 65 and older in the total population in 2050 will amount to 30.2% and people aged 80 and older will constitute 10.4% of the total population (in 2013—3.9%) [17].

In view of the above, there is no doubt that societies which use ageing processes as soon as possible and make them an advantage for the economy, and at the same time eliminate (weaken) the existing threats, will prove to be the most competitive.

The definition of silver economy used by the OECD points to the need of developing economy through the implementation of silver production, that is, one that produces and supplies products and services targeted at older people, creating an environment in which people over 60 years old cooperate and achieve successes in the workplace, engage in innovative projects, help in the development of the market as customers and lead healthy, active and productive lives [12]. The assumptions of the silver economy are the answer to the advanced ageing processes; therefore, the implementation of the silver economy should enable the transformation of demographic problems into development opportunities, and the development strategy which takes into account the needs of the ageing population should contribute to the improvement of life quality not only with regard to the elderly but also the remaining population.

Silver economy is not only the production of goods and services dedicated to senior citizens but also a wide range of activities. According to Enste et al. [6], the areas in which the silver economy may stimulate the development of market sectors directly or indirectly related to the ageing of the population are, among others:

– information technologies (IT) in health care;
– flat adaptation and services that make life easier, based primarily on IT;
– independent life based on of the growing use of IT;
– areas which are gerontologically significant for the health economy, including medical technologies and e-health, vision and hearing technologies, prosthetics and orthopaedics;
– education and culture as the answer to the desire for development and leisure time management;
– IT and media combined with medicine, promoting independence and safety;
– service robotics and the promotion of independent life in the case of elderly people with severe diseases;
– mobility and promotion of its constituents, e.g. road traffic safety;
– leisure, travel, culture, communication and entertainment;
– fitness and wellness as the response to raising awareness of healthy lifestyle;
– clothing and fashion as a manifestation of the desire for social integration;
– services facilitating the day-to-day functioning and other housework;
– insurance primarily related to the forms of risk specific to older people;
– financial services, particularly with regard to protecting capital, preserving assets and preventing loss of savings.

The last of the mentioned areas is the subject matter of this discussion. The organisation and management of this area become the key to securing the financial future of elderly people and reducing the impact of the demographic burden. Here, we are faced with the need for a long-term project consisting of several activities: readiness of financial institutions to provide services in an ageing society, preparing society members of all generations for conscious financial management—rational attitude to money, savings and investment strategies as well as preventing the financial exclusion of senior citizens. Undoubtedly, the implementation of these ideas requires the development of an integrated educational and organisational system which takes into account the knowledge of experimental economics, economic psychology and socioeconomics as well as the internal differences between senior citizens.

8.3 Theoretical Explanations of Financial Behaviours

Both economy and other fields of science undertake to discover the reasons behind decision-making and financial behaviours. By conducting laboratory experiments in this area, experimental economics is intended to minimise the impact of uncontrollable external factors and at the same time, arrange the optimal test conditions and values of relevant parameters. This allows, first and foremost, to learn the preferences of an individual and determine the economic decision-making process, although the experimental economics researchers are less interested in individual decisions of the participants and more in their effects on the entire market [9]. The use of methods of experimental economics in other sciences enabled a more comprehensive definition of decision-making mechanisms by taking into account the social, psychological and cultural impacts. Such analyses attempt to explore the economic behaviours of individuals and households, decision-makers in business and in the public sector.

In the studies on attitudes towards money, the *Money Attitudes Scale* (MAS) by Yamauchi and Templer [22], *Money Ethic Scale* (MES) Tanga [19] and *Money Beliefs and Behaviour Scale* (MBBS) Furnham [7] are effectively used. These are characterised in Table 8.1.

In turn, sociological research (referring to experimental economics and economic psychology) draws attention to the fact that attitudes towards money largely depend on cultural conditions in which an economic culture characteristic of a given society [11], constituting an integrated system of economic behaviours of an individual, is created. An important issue here is economic socialisation as well as the economic knowledge of the individual and the community. People acquire economic culture through their own life experience, upbringing and the influence of the social environment; therefore, the mechanisms and channels of learning play an important role here. On the basis of the process of primary and secondary socialisation, a value system is created which influences the assessment of social reality, decisions regarding consumption, attitude to work and entrepreneurship as well as towards money and money saving [10].

Four approaches were distinguished with regard to the studies on money saving. These are:

1. Surveys on habits, attitudes and motives related to saving.
2. Segmentation studies (on groups of people saving money), mainly with the use of surveys.
3. Controlled laboratory experiments.
4. Qualitative research on money saving as a process [21].

An important economic saving theory is the Life-Cycle Hypothesis (LCH) based on the assumption that people are forward-looking and limit their consumption in certain periods in order to maintain a similar consumption level in the future, when their income is smaller. This hypothesis has been repeatedly supplemented and changed, pointing (with regard to the issues addressed) to the issues of time horizon and changes in attitudes resulting from changes in the circulation of information, learning processes and the consequences of social impact. The significant factors here are

Table 8.1 Attitudes towards money in classic studies of economic psychology

Name of the scale	Author	Characteristics
Money Attitudes Scale (MAS)	Yamauchi and Templer	Psychological aspects of money include: a sense of security and a sense of danger, self-control and refraining from spending money, recognising money as a symbol of power and social status Attitudes towards money: power and prestige as a symbol of success; refraining from spending money through the planning of financial future and control over the current financial situation; distrust indicating a tendency to perceive issues related to money as suspicious and prompting dishonesty; quality—factor related to the need of spending money in the most reasonable way; unrest, when money is the cause of anxiety and negative emotions
Money Ethic Scale (MES)	Tang	Attitudes towards money: money is perceived by people as something that is either good or bad (emotional element), people see the relationship between money and success, respect and freedom (cognitive aspect), people pay attention to expenditure planning (behavioural aspect)
Money Beliefs and Behaviour Scale (MBBS)	Furnham	Attitudes towards money: obsession with money, money as a symbol of power, refraining from spending money, saving, constant feeling of scarcity of money, making efforts to get money

Source Tyszka and Zaleśkiewicz [20]

psychological aspects such as: the role of providence (personality and upbringing), self-control (willpower), income uncertainty in the future (or certainty that the income will decrease upon retirement), selective perception and limited cognitive abilities (significant with age), attitude towards the future (e.g. related to the desire to leave a legacy to the loved ones or allocating it for specific purposes), change of objectives and preferences. The Life-Cycle Hypothesis drew attention to the importance of future orientation and the long-term objective of preparing for lower incomes in old age and maintaining the same level of consumption throughout life [ibid., p. 558.].

8.4 Attitudes of Poles Towards Finances and the Challenges for Financial Institutions

The mentality of Polish society with regard to finance was shaped by various factors. These are the objective capabilities of individuals resulting from the social structure, but also the developed patterns of behaviour, values and ways of thinking. They were formed throughout the course of historical changes, overall social conditions in which the individual and the community function. Furthermore, it largely depends on the level of trust vested in the institutions and in Polish society, trust (the so-called culture of trust) is low. There is no doubt that there are many reasons for this state of affairs and that they are rooted both in the past of Poland and in the current experiences (this regards i.a. perceiving the social environment as a sequence of reforms, modifications and changes), and the Amber Gold affair further reinforces this mistrust. However, the importance of the older group of financial consumers is increasing and this will be an ongoing trend. Nonetheless, the issue of low financial competence of elderly people, particularly negative for Polish senior citizens, still remains.

According to the Adult Financial Literacy Competencies report [1], based on the thirty countries and economies study, 17 OECD countries participated in an international survey of financial literacy, using the OECD/INFE toolkit to collect cross-comparable data. In total, 51,650 adults aged 18–79 were interviewed using the same core questions. This report provides high-level highlights of the survey's findings focusing on relevant aspects of financial knowledge, behaviour, attitudes and inclusion. The highest possible score was 21 points (7 points for knowledge, 9 points for behaviour and 5 for attitude). The average score for the countries surveyed was 13.2 and for OECD countries 13.7. Among the populations surveyed, Poland was in the last place with the score of 11.6 points (where the highest score was obtained by France—14.9). What is particularly alarming is the fact that only three in ten Poles think about the financial future in a long-term perspective.

In the *Postawy Polaków wobec finansów* report (Polish attitudes towards finance) (Kronenberg Foundation [16]), 28% of the Poles surveyed (based on a representative sample) declare that they save money to secure their future or the future of their loved ones, while 21% explicitly indicate that they save money with a view to retirement. Unfortunately, 50% of the people who are not currently retired are unaware of the amount of their pension in the future.

Biuro Informacji Gospodarczej InfoMonitor [3] indicates that Polish senior citizens (345 thousand people over 64) have as much as PLN 7.3 billion of debt and one in eighteen senior citizens does not make payments on time. The average debt of people over 64 is PLN 21-23 thousand, while the major part of pensioners' debts are liabilities to banks and loan companies, and the remaining are unpaid phone, utility or rent bills.

Naturally, these studies do not exhaust the knowledge about the attitudes of Pole to money and saving, the real issues with income; however, they point out some alarming phenomena.

These also include the issue of demand for financial services which are limited due to the financial and digital exclusion. Studies on financially excluded consumers show that in the vast majority of cases, these are people who are subject to the so-called self-exclusion. In their case, the main reason is the declared absence of the need to use financial services. The group of self-excluded people declaring that their situation is a result of a conscious decision, arising from a profitability calculation, lack of trust in banks or preference for cash, is significantly smaller [8, 15, 18].

The different behaviours of older people in the financial products market show that it is not only Poles who are most focused on bank services—depositing money (mainly deposits) or running up a debt and much less frequently investing money in bonds, shares or investment funds.

Studies by Czerwiński [4] show that the use of financial services by elderly people mostly includes the simplest offers—personal account, general insurance and life insurance. The oldest people (over 70) used these services to a lesser extent than younger people (over 50). This is primarily influenced by age, education and income. As the author of the study concludes, financial institutions should verify the service offer and adapt it to the needs of senior citizens with different socio-demographic characteristics. Treating senior citizens as a homogeneous category is a clear loss for financial institutions and senior citizens themselves, especially since it is those to whom the world of finance is not unknown anymore that will become senior citizens in the long run.

It should also be taken into account that the demand for broadly understood financial services is gradually growing along with the growth of the overall wealth of Poles. According to the report on wealth forecast for Poles [2], the reason for the enrichment of Poles in the coming years will be i.a. an increase in income, higher return on investment in assets, an increase in the value of inheritances and the establishment of new companies and savings. It is assumed that by 2040 their net wealth will triple from PLN 6.5 to PLN 18 billion. This means that it will be 70% higher than at present (even after adjustment for inflation) (ibid). In the face of these (and other) forecasts, strategic plans concerning this issue should already be developed under the financial sector. If—as the authors claim—there is a wealth revolution in the next few years and the generation of older Poles, who got richer during the economic transformation, will bequest their wealth to their children, it means that the younger generations will become richer by several hundred thousand zlotys on average. In this case, the demand for wealth management and protection services will be growing gradually.

However, at the moment, elderly people in the financial services market constitute unused capital. First of all, the market offer should be aimed both at people who are still professionally active and, functioning at the so-called dawn of old age, may still be interested in investments, depositing money for the future retirement, but cannot always find themselves in this market and need professional advice, and at those who are already retired but managed to accumulate certain funds. Even if people over the age of 70 have relatively low incomes, they often own properties which they have already paid off while still professionally active (asset rich and cash poor). This right here is the most important area of activities for financial institutions which, in accordance with social responsibility, should expand services aimed directly at senior citizens. This regards financial services related to protecting capital, preserving assets and preventing loss of savings. Senior citizens as potential customers of financial institutions constitute a very sensitive, difficult segment when it comes to making financial decisions. This results from two issues: people of the oldest age groups with the least experience in markets and financial instruments, and at the same time with low level of trust, may not be interested even in the most favourable offers for them, but also, due to the decrease in cognitive skills with age, they will not be able to make conscious decisions. Unfortunately, there were cases of abuse against older persons in financial institutions where the weaker analytical capacity of older persons was taken advantage of in order to persuade them to purchase products more beneficial for the institution than the senior citizen. However, the aim is for a customer entering a bank to know that they are coming to an institution of public trust and be sure that the funds they entrusts it with are safe.

> At this point, it is worth to refer to the recommendations developed in 2013 on the initiative of the Commissioner for Human Rights in the field of facilitating the financial decisions of senior citizens. This refers to legislative measures that increase the legal protection of elderly people by extending the period for withdrawal, improving control and introducing sanctions for fraudulent sales activities. It is also the development of training for sellers and financial intermediaries in the field of services for elderly people, as well as including it in the code of good market practice. Another important area of activities defined was the establishment of financial institutions friendly for senior citizens, where it is possible to, e.g., borrow glasses, use the toilet, print out documents in bigger letters and increase the transparency of agreements so that older customers are aware of the monthly or total price associated with a given service. (Osoby starsze….[13])

8.5 Summary

The above considerations are headed towards the conclusion that meeting the needs of older customers, taking into account the skilful adaptation of financial services, may constitute an enhancing factor and development potential for the financial sector and the silver economy as a whole. On the other hand, the increased activity of elderly people in the financial services market may improve their quality of life, which ultimately positively affects the society as a whole. If the tendency to save money and preferences regarding the directions of allocation of savings are shaped by multiple factors, such as financial, fiscal, economic, legal, technological, demographic, psychological and cultural factors, then the adaptation of the financial services sector to those factors should be more dynamic. This also applies to increasing educational activity which develops the knowledge and skills in the field of finance. Educating senior citizens is necessary in accordance with the life-long learning concept, by placing high value on learning and improving universal access to information and advice on educational opportunities.

References

1. Adult Financial Literacy Competencies: OECD/INFE International Survey, OECD, http://www.oecd.org/daf/fin/financial-education/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf (2016)
2. Arak, P., Czerniak, A.: Prognoza majątku - jak demografia zmieni aktywa Polaków, BZ WBK, http://www.politykainsight.pl/gospodarka/ryzykaitrendy2016/_resource/multimedium/20102540 (2016)
3. Biuro Informacji Gospodarczej InfoMonitor, https://www.infomonitor.pl/ (2018)
4. Czerwiński, B.: Zachowania seniorów z Polski Północnej na rynku usług finansowych w świetle wyników badań Handel Wewnętrzny. **3**(362), 76–87 (2016)
5. Deloitte: 6 megatrendów będzie miało największy wpływ na kształt globalnej gospodarki, (https://www2.deloitte.com/pl/pl/pages/press-releases/articles/megatrendy-ekonomiczne-2018.html (2018)
6. Enste, P., Naegele, G., Leve, V.: The discovery and development of the silver market in Germany. In: Kohlbacher, F., Herstatt, C. (eds) The Silver Market Phenomenon. Business Opportunities in an Era of Demographic Change, pp. 330–331. Springer, Heidelberg (2008)
7. Furnham, A.: Inflation and the estimated size of notes. J. Econ. Psychol. **4**, 349–352 (1983)
8. Kieżel E., Smyczek S.: Analfabetyzm finansowy jako bariera w akceptacji innowacji na rynku usług finansowych, Marketing i Rynek, no. 2 (2015)
9. Kopczewski, T., Malawski, M.: Ekonomia eksperymentalna. Decisions **8**, 79–100 (2007)
10. Krzyminiewska, G.: Kultura ekonomiczna młodzieży wiejskiej i jej znaczenie w rozwoju społeczno-gospodarczym obszarów wiejskich. Wydawnictwo Naukowe Uniwersytetu Ekonomicznego w Poznaniu, Poznań (2010)
11. Krzyminiewska, G.: Kultura ekonomiczna mieszkańców obszarów wiejskich. Problemy – Przekształcenia – Wyzwania, Wydawnictwo Adam Marszałek, Toruń (2013)
12. OECD: University of Oxford, Global Coalition for Ageing, The Silver Economy as a Pathway for Growth. Insights from the OECD-GCOA Expert Consultation. https://www.oecd.org/sti/the-silver-economy-as-a-pathway-to-growth.pdf (2014)
13. Osoby starsze na rynku usług finansowych. Analiza i zalecenia (2013), Biuletyn RPO. Sources no. 4
14. Pew Research Center: Attitudes about aging: a global perspective, http://www.pewglobal.org/2014/01/30/attitudes-about-aging-a-global-perspective/ (2014)
15. Polasik, M., Piotrowska, A.: Transakcyjne wykluczenie finansowe w Polsce w świetle badań empirycznych., Prace Naukowe Uniwersytetu Ekonomicznego We Wrocławiu. Research Papers of Wrocław University of Economics no. 330 (2014)
16. Postawy Polaków wobec finansów (2015) Kronenberg Foundation Citi Handlowy, http://www.citibank.pl/poland/kronenberg/polish/files/postawy_polakow_wobec_finansow_(2015).pdf
17. Population forecast for 2014–2050, (2014) GUS, Departament Badań Demograficznych i Rynku Pracy. Warszawa
18. Smyczek, S., Matysiewicz, J.: Financial exclusion as barrier to socio-economic development of the Baltic Sea region. J. Econ. Manag. **15** (2014)
19. Tang, T.: The meaning of money revisited. J. Organ. Behav., 14 (1992)
20. Tyszka, T., Zaleśkiewicz, T.: Psychologia pieniądza, Psychologia ekonomiczna. In: Tyszka, T. (ed), Gdańskie, pp. 161–191. Wydawnictwo Psychologiczne, Gdańsk (2004) (2012)
21. Wärneryd, K.-E.: Oszczędzanie, in: Psychologia ekonomiczna. Tyszka, T. (ed) Gdańskie, p. 558. Wydawnictwo Psychologiczne, Gdańsk (2004)
22. Yamauchi, K., Templer, D.: The development of a money attitude scale. J. Pers. Assess., 46 (1982)