

Financial Homo Ignorans: measuring vulnerability to behavioral biases in household finance.

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Understanding systematic differences in sound financial behaviour between individuals is a key area for public policy and the possibility to tailor interventions to promote financial well-being. In this paper, we develop and validate a concise 12-item questionnaire measuring individual's vulnerability to behavioural biases in household finance – the Financial Homo Ignorans (FHI) Scale. We conduct two studies with general population samples (total N=2508) and show that the FHI scale can predict behaviour in financial tasks such as consumer purchases, loan choices or investment decisions, also when controlling for demographics, financial literacy and other related constructs. In addition, we show that consumer heterogeneity, as assessed by the FHI scale, explains the variation in household finance management and financial well-being. The FHI scale has application potential as it can be used by researchers, policy makers, and financial institutions to study the psychological underpinnings of financial behavior and design interventions by targeting individuals who are particularly vulnerable.