

# AUTOMATED INTERNAL AUDIT OF LENDING OPERATIONS OF COMMERCIAL BANKS

**Tukovskiy Ivan,**

Department of Accounting and Analysis, Kherson State University,

Ukraine E-mail: [tukovskiy@gmail.com](mailto:tukovskiy@gmail.com)

ORCID: <https://orcid.org/0x00-0x03-1x67-x333>

**Zhernovskaya Viktoriya,**

Department of Accounting and Analysis, Kherson State University,

Ukraine E-mail: [viktoriya.jurksas@gmail.com](mailto:viktoriya.jurksas@gmail.com)

ORCID: <https://orcid.org/0x00-0x03-1x67-x333>

**Abstract.** The **purpose** of the paper is to summarise and present differences in spending patterns between the two age groups during the period of economic downturn and recovery. The method of longitudinal study allows finding how the expectations towards financial situation and spending behaviour change over three years (2009, 2010, 2011). **Methodology.** The survey is based on a comparison of data from the three sets of respondents surveyed in spring of the 2009, 2010 and 2011, using the same questionnaire. Students, unaware of survey objectives, were asked to fill in questionnaires themselves and to distribute another part of the questionnaire to a member of their household, who is one generation elder (typically parents). In total, 455 households were interviewed, each producing two sets of answers to the survey questions. **Results** of the survey showed that younger respondents perceived the impact of the economic downturn in relation with expectations in a more casual way. They had higher expectations towards the income increase. Spending of both age groups, as well as their expectations towards prices was very similar throughout all the studied years. However, the older generation was more likely to save in order to survive, whereas the younger generation did not change its spending habits or decided to reduce spending for saving reasons. **Practical implications.** Since younger generation perceived the economic downturn situation more casually and reported a higher expected income, marketing strategies based on brand value, exclusivity, price premiums can be continued to target it even during the economic downturn. The older generation demonstrated a higher caution and frugality, as well as lower expectations towards income; therefore, value for price or lower price strategies could be more suitable for this age group. **Value / originality.** Longitudinal data on two age groups provide for a better understanding of the consumer behaviour during the economic downturn in general and in Lithuania in particular.

**Key words:** economic downturn and recovery, consumer behaviour, consumer spending patterns, age groups

**JEL Classification:** R14, D18, P2

## 1. Introduction

The economic crisis of 2008–2011 affected consumer behaviour patterns world-wide. Beside the objective circumstances, such as decreased income and increase in prices, consumers had predictions about their future financial and market situation. Based on these predictions, consumers adjusted their spending. However, the general trend of spending adjustment looks differently if compared among different age groups. Younger people have grown in the period of economic recovery; some of them monitored comparatively wealthy parents' casual spending and presumably are rapidly adjusting spending patterns in the face of downturn. Another emerging question is whether representatives of two generations experience the same recovery in their expectations and spending, when economy is experiencing a low but stable recuperation. Thus, the research problem is stated as follows: do consumers of different age groups demonstrate different spending-related emotional reactions towards crisis and recovery? The current paper aims to demonstrate differences in the assessment of financial situation and spending patterns between two age groups (19–26 and

40–68) over three years during the economic crisis and recovery (2009, 2010, 2011) in Lithuania. It is a replication and extension of the research of Urbonavičius and Pikturnienė (2010), providing insights into the dynamics of consumer behaviour in a specific economic context.

## **2. Economic crisis effects on consumer behaviour**

The world economic crisis that started as financial bubbles and real estate markets crash in 2008 has affected all world economies and citizens' well-being. A number of people found themselves in a significantly worsened financial position and were forced to adjust their spending to economic realities. A discussion that excess materialism, greed and reckless financial behaviour have led the world to the current situation, which should be treated as a lesson, has emerged (Kasser, 2008). The change in consumer behaviour patterns resulted in the arousal of pre-crisis and post-crisis consumer domains. A number of consumer behaviour aspects were reported as changing during the crisis. For example, consumers in some states became more ethnocentric not only because domestic products are usually cheaper, but also due to moral obligations to support national economies (Smyczek, Glowik, 2011) or as a result of increased national identity (Kreckova, Odehnalova, Reardon, 2012). Consumer values have changed significantly over a couple of years, whereas in a stable environment values usually do not demonstrate short-term dynamics (Kolar, Zabkar, Brkic, Omeragic, 2010). Consumer confidence was decreasing, thus resulting in higher savings (Gabriele, Martelli & Raitano, 2009). Ethical consumption is likely to be maintained when supported by discounts, promotions or other incentives that help consumers to save (Carrigan, de Pelsmacker, 2009). Even loyal customers go for price considerations and switch brands in the face of economic crisis (Zikiene, 2012). 74 The most common consumer responses towards the crisis are to spend less by consuming less or by selecting cheaper goods, to postpone some purchases or deprive themselves of some purchases (Alexander, Stone, 2009; Faganel, 2011).

## **3. Differences in consumer spending behaviour among age groups**

Differences in objective welfare, the variety of experiences in different historical context result in differences of value systems and life views of different generations. Distinctions in values and consumption-related behaviour among generations have been confirmed a number of times. This generation faced financial shortages and need to plan resources carefully, or saw their parents behaving in that way. However, the reality was that an average family, not belonging to nomenklatura, had a really small disposable income, whereas prices for consumer durables were comparatively high, thus saving in order to establish a certain living standard (furniture, washing machine, TV set, or a car) was inevitable, if affordable at all. Some sources label this generation as Millennials (see Clare, 2009, or Hauw, Vos, 2010). All in all, forced or real frugality, together with the traditional peasant ideology to consume "only the necessary", formed the Soviet consumer culture (Keller, Vihalemm, 2005).

## **4. Survey methodology**

Up till now, the behaviour of post-Soviet consumers, broken by age groups, remains under-researched, especially having drastic economic changes (downturn and recovery) as a context in mind. The aim of the survey was to compare consumer behaviours of the two age groups in the context of the economic downturn (2009–2011) in Lithuania. All procedures were conducted using the same questionnaire and the same logic of data collection. Students, unaware of survey objectives, were asked to fill in questionnaires themselves and to distribute another part of a questionnaire to a member of their household who is one generation older (parents, most likely) as a part of their course assignment. The scheme was used to ensure a similar social environment of the two samples, eliminating the possible behavioural differences attributable to different social strata. In 2009, 188 households were interviewed. In 2010, 195 households were interviewed. In 2011, 72 households were interviewed.

## **5. Findings**

First of all, the reported recent (over the past 3 months) and the expected (within upcoming 3 months) income across generations was compared, since the actual and the expected income is one of the main antecedents of spending patterns. In 2009 and 2010, the income was decreasing, whereas it has recovered in 2011 for the younger generation. A characteristic feature of the dynamics is that in all time sets younger people report a much higher expected income if compared with their recent income, even in cases when the actual income was decreasing in the midst of the crisis. In 2011, when the income of younger people had actually increased, their expectations were even more optimistic. Further, perceptions of recent spending changes and expected price changes were measured and compared between the generations. In all cases, respondents reported increased actual spendings and an increase in expected price changes.

## **6. Conclusions**

The results over three years demonstrate that perceptions about the current income status and expectations for the future significantly differ among the two analysed age groups: younger respondents evaluate both of them more positively. Not surprisingly, orientation towards survival and saving behaviours during downturn also differ between the two age groups, since older people express their concerns of survival and saving more clearly, especially in the beginning of the crisis. It seems like orientation towards survival and saving behaviours is the single area where past experience makes the largest influence, since older people who have deprivation experience report savings more often. The findings raise a reasonable question: Do the differences appear because of the different experience of the age group, or are they the result of approach towards the future (younger people are more optimistic)? Specific experience of deprivation of the older generation could result in a much more cautious financial behaviour. Surprisingly, at the end of the downturn, younger people started demonstrating the saving behaviour (although the change was not statistically significant).

## **REFERENCES**

- Alimen N., & Bayraktaroglu G. (2011). Consumption Adjustments of Turkish Consumers During The Global Financial Crisis. *EGE Academic Review*, 11(2): 193–203.
- Amalia, P., & Ionut, P. (2009). Consumers' reaction and organizational response in crisis context. *Annals of Faculty of Economics*, 1(5): 779–782.
- Carrigan, M., & De Pelsmacker, P. (2009). Will ethical consumers sustain their values in the global credit crunch? *International Marketing Review*, 26(6): 674–687.
- Gabriele S., Martelli B. M., & Raitano M. (2009). How dark is the night: the consumers' mood coping with the crisis. Evidence from ISAE consumer survey. *Journal of Applied Economic Sciences*, 4(3(9)): 372–386.
- Norum, P. S. (2003). Examination of generational differences in household apparel expenditures. *Family and Consumer Science Research Journal*, 32: 52–75.
- Pyšňáková, M., & Miles, S. (2010) The post-revolutionary consumer – generation: 'mainstream' youth and the paradox of choice in the Czech Republic. *Journal of Youth Studies*. 13(5): 533–547.