

# **Economic and Psychological Aspect of Savings Behavior – Korean Data Collection**

## **Research Proposal**

### **Introduction**

The positive link between financial independence, life satisfaction, and quality of life has been well documented. Saving is a critical component in successfully managing personal finances. However, low household saving rates in the last decade are a concern for US policy makers and financial educators in general. From an applied perspective, it is important to understand why individuals fail to plan and save more aggressively.

When looking at household saving rates among various countries, the differences are evident. Asian countries show a consistently higher household savings rate over the same decade. Therefore, examining psychological and behavioral factors that determine savings behavior exhibited by households in multiple countries has implications at the regional, national, and international level. This project proposes to collect an online survey to examine savings behavior in Korea.

### **Background**

In 2008, the Agricultural Experiment Station (AES) multi-state research project NC 1172 “The Complex Nature of Savings: Psychological and Economic Factors” committee have been formed to develop a comprehensive model of savings behavior, which examines the effects of economic, psychological, and socialization factors on savings behavior in low- to moderate-income households in the United States. During Fall 2010, the NC 1172 committee members developed an online survey comprised of 70 questions. It includes questions about financial knowledge, socialization factors, psychological factors, environment, resources, and demographics. Including all these factors in one study provides a more comprehensive understanding of savings behavior than has previously existed. The data was collected in the Fall 2011 from 860 households whose income was less than \$75,000 from across the United States. During 2012, five manuscripts analyzing this data set have been published in the Family and Consumer Sciences Research Journal. See Gutter and colleagues (2012) for the comprehensive research model and Hayhoe & Gutter (2012) for the complete overview of the psychological scales and their reliability.

### **Proposed Study**

As an offspring of NC 1172, an international comparison study has been proposed. To test the feasibility of the multicultural study, the NC 1172 questionnaire was used to explore savings behavior in Turkey during 2009, producing significant and important findings related to savings behavior among Turkish people. Committee members proposed a study that includes several Asian countries for a cross-country study of savings behavior. The potential participating countries include China, Malaysia, Singapore, and South Korea. As vice-president of NC 1172,

Dr. Cho is responsible for the development and collection of Korean savings behavior data. Between 2011-2012, the Korean version of the NC 1172 savings survey was developed and an online survey was created. For an effective and successful cross-cultural study, more than a translation of a survey instrument was needed. For example, a question about the contribution to 401(K) in the US version needs to be modified to the tax-favored retirement savings account in Korea. The NC 1172 survey was trans-created to fit into the economic and social context of the current situation of South Korea.

### **Use of the cross-cultural data on savings**

This project will provide a consistent instrument to gather and investigate the differences among households with various cultural backgrounds on their knowledge, attitudes, and behaviors related to personal savings. Especially, understanding savings behaviors in Korea and other Asian countries will be beneficial to develop, implement, and evaluate educational initiatives designed to increase financial capability and promote savings behaviors in the United States. Educational programs delivered through the land-grant Cooperative Extension Service mainly focus on the development of important financial management skills. Rarely do those programs address underlying psychological factors or cultural contexts that contribute to the lack of savings behavior. Understanding which critical factors are salient to changing savings behaviors will lead to more effective educational initiatives. The project results can also be used to recommend public policy initiatives and suggest new or enhanced financial products and services for American households. Finally, findings that contribute to a more comprehensive understanding of how psychological and economic factors combine to influence savings behavior in different countries will fill a major gap in the savings behavior literature.

### **Literature cited**

Gutter, M., Hayhoe, C. R., DeVaney, S. A., Kim, J., Bowen, C., Cheang, M., Cho, S. H., Evans, D., Gorham, E., Lown, J., Mauldin, T., Worthy, S., and R. Dorman. (2012). Exploring the relationship of economic, sociological, and psychological factors to the savings behavior of low-to moderate-income households. *Family and Consumer Sciences Research Journal*, 41(1). 86-102.

Hayhoe, C. R. & Gutter, M. S. (2012). Reliability of the Scales in the NC1172 Complex Nature of Saving Data Set. *Family & Consumer Sciences Research Journal*, 40(3). 284-294.

### **Budget Summary**

Item	Amount (\$)
Data collection	5,750
Research Assistant	3,400
Travel (to present the result of the study)	1,000
Total funds requested	10,150

### **Budget narratives**

Data will be collected via a research sampling company, Survey Sampling International (or similar). A cost per response for a 20-minute long survey is estimated \$5.75. A target sample size is approximately 1,000 completed responses, totaling the cost of data collection \$5,750.

Research assistant for one semester at 20% FTE will be hired for assisting in cleaning, analysis of the data and development of a research manuscript. Currently a Master student's salary for 20% FTE per semester is \$3,400 at South Dakota State University.

Travel involves costs of flight (from Sioux Falls, SD to NBER workshop site) and a hotel. Usually the flight from Sioux Falls SD to east coast costs about \$600. A 2-night hotel fee is estimated at \$400.

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**Education**

Ph.D. in Family Resource Management (2009), the Ohio State University  
Dissertation: Role of Regulatory Focus on Savings Behavior (Minor in Marketing)  
M.S. in Family Resource Management (2005), Korea University, Seoul, Korea  
Thesis: Art Consumption Behavior among College Students in Korea  
B.S. in Home Economics Education (2003), Korea University, Seoul, Korea

**Academic Positions**

2010 – current: Assistant Professor, Department of Consumer Sciences, South Dakota State University  
August – December 2009: Instructor, Department of Consumer Sciences, South Dakota State University

**Research Interests**

Consumer financial decision making, Social psychological aspects of consumers' financial behavior, Determinants and consequences of saving goals, Family finances and farm exit decision making

**Publications**

**Peer-reviewed Journal Articles**

Gutter, M., Hayhoe, C. R., DeVaney, S. A., Kim, J., Bowen, C., Cheang, M., **Cho, S. H.**, Evans, D., Gorham, E., Lown, J., Mauldin, T., Worthy, S., and R. Dorman. (2012). Exploring the relationship of economic, sociological, and psychological factors to the savings behavior of low-to moderate-income households. *Family and Consumer Sciences Research Journal*, 41(1). 86-102.

Hayhoe, C., **Cho, S. H.**, DeVaney, S., Worthy, S., Kim, J., and Gorham, E. (2012). How do distrust and anxiety affect savings behavior? *Family and Consumer Sciences Research Journal*, 41(1). 69-85.

Park, S., **Cho, S. H.**, and Yoon, H. J. (2012). The Effect of Nutritional Information on Healthy Menu Choices: Role of Future Orientation, Regulatory Focus, and Need for Cognition. *International Journal of Human Ecology*, 13(1).

Kim, J., Chatterjee, S. and **Cho, S. H.** (2012). Asset ownership of new Asian immigrants in the United States. *Journal of Family Economic Issues*, 33(2). 215-226.

**Cho, S. H.**, Kim, J., Mauldin, T., and Gutter, M. (2012). Effect of socialization and financial information source on financial management behavior among low to moderate income households. *Family and Consumer Sciences Research Journal*, 40(4), 417-430.

Morrison, K., Saboe-Wounded Head, L., and **Cho, S. H.** (2012). Workforce needs in consumer affairs: Employer perspective. *Journal of Family & Consumer Sciences*, 104(1), 29-33.

Loibl, C., **Cho, S. H.**, Diekmann, F., and Batte, M. (2009). Consumer self-confidence in searching for information. *Journal of Consumer Affairs*, 43(1), 26-55.

#### **Peer-reviewed Conference Proceedings - Abstracts**

Yeo, J., Saboe-Wounded Head, L., and **Cho, S. H.** (2012). Role of Knowledge and Risk Tolerance in Young Adults' Financial Planning Behavior. *Annual Conference for Association of Financial Counseling, Planning, and Education*. November 14-16. St. Louis, MO

Griesdorn, T. S., DeVaney, S. A., Lown, J., **Cho, S. H.**, Evans, D. (2012). Financial Risk Tolerance and Savings Behavior. *Annual Conference of Academy of Financial Services*. October 1-2. San Antonio, TX

**Cho, S. H.** (2012). Financial Socialization and Savings Behavior among workers in South Dakota. *Annual Conference for Korean Family Resource Management Association*. June 2. Seoul, South Korea

**Cho, S. H.** (2012). Role of Regulatory Focus on Savings Behavior among South Dakota workers. *Annual Conference for Korean Society for Consumer Studies*. May 12. Seoul, South Korea

Worthy, S., **Cho, S. H.**, and DeVaney, S. (2012). Health and financial well-being of a national sample of low to moderate income consumers. *Annual Conference for American Council on Consumer Interests*. April 11-13. Memphis, TN

Chang, K.-L., and **Cho, S. H.** (2012). Effects of financial resources and family environment on farmers' exit decisions. *Annual Conference for American Council on Consumer Interests*. April 11-13. Memphis, TN

Kim, J., Chatterjee, S., and **Cho, S. H.** (2011). Asset ownership of new Asian immigrants in the United States. *9<sup>th</sup> Biennial Conference of Asian Consumer and Family Economics Association*. July 6-8, Seoul, South Korea

Saboe-Wounded Head, L., Stluka, S., and **Cho, S. H.** (2011). Addressing Native American culture through financial and nutrition education. *Annual Conference of American Association of Family and Consumer Sciences*. June 23-25. Phoenix, AZ

**Cho, S. H.**, Geistfeld, L. V., and Loibl, C. (2011). The role of regulatory fit for savings behavior. *Asian Pacific Association of Consumer Research*. June 16-18. Beijing, China

Kim, H., Devaney, S. A., **Cho, S. H.**, and Kim, J. (2011). The effect of personal financial management, bank relationship, and small business characteristics on small business productivity. *Consumer Interests Annual*. 57. American Council on Consumer Interests. April 13-15. Washington, D.C.

**Cho, S. H.**, Geistfeld, L. V. and Loibl, C. (2010). The role of saving goals on savings behavior: A regulatory focus approach. *Consumer Interests Annual*. 56. American Council on Consumer Interests. April 15. Atlanta, GA

**Cho, S. H.**, Park, S., and Kandampully, J. (2009). Evidence of service oriented strategies: A case study of selected credit card companies and national financial institutions in the U.S. *The 16<sup>th</sup> International EIRASS Conference on Recent Advances in Retailing and Services Sciences*, Niagara Falls, Canada

Park, S., **Cho, S. H.**, and Kandampully, J. (2009). The impact of brand image on brand attachment and the moderating effect on image congruence. *The 16<sup>th</sup> International EIRASS Conference on Recent Advances in Retailing and Services Sciences*, Niagara Falls, Canada

Loibl, C., **Cho, S. H.**, Diekmann, F. and Batte, M. T. (2008). Do confident consumers search more? Examining the relationship between multidimensional self-confidence and external information search. *Advances in Consumer Research*. 36. Annual North American Conference of the Association for Consumer Research. October 23. San Francisco, CA

Loibl, C., **Cho, S. H.**, Diekmann, F. and Batte, M. T. (2008). Finding the information you need: The role of self-confidence in consumer information search. *Consumer Interests Annual*. 54. American Agricultural Economics Association and American Council on Consumer Interests Joint Conference. July 27. Orlando, FL.

Lee, J. and **Cho, S. H.** (2008). The effect of credit on spending decisions: The role of the credit limit and self-control. *Annual Meeting of Academy of Financial Services*. October 3. Boston, MA

**Cho, S. H.**, Fang, M.-C., and Hanna, S. D. (2007). Who has emergency related savings goals? *Consumer Interests Annual*, 53, 223-230. American Council on Consumer Interests, St. Louis, MO

### **Invited Presentations**

Cho, S. H. 2012. Behavioral Economics. Department of Consumer Studies Graduate Seminar. May 31 – June 1, SangMyung University, Seoul, Korea

Cho, S. H. & Yeo, J. 2011. International Women Faculty. SDSU Women's Studies Brown Bag Series. November 15, South Dakota State University, Brookings, SD

Cho, S. H. 2010. Parental Perception on the Financial Literacy of Their School-Aged Children: An Exploratory Study. Colloquium for developing 2010-2016 Korean Children & Youth Panel Study. Korean National Youth Policy Institute, July 2, Seoul, Korea

### **Grants**

2012 SDSU Education and Human Sciences Rural Child Well-Being Center Proposal "Improving the Financial Well-being of College Students through Personal Financial Planning, Education and Coaching" with Saboe-Wounded Head, L., and Donna Bittiker. \$5,000

2011 Harms Fund for Excellence in Management "Wealth, Financial Security, Family-to-Work Arrangement, and Migration Decision in the U.S. Farm Community" with Chang, K. -L. \$20,000

2011 SDSU Education and Human Sciences Research/Scholarship Fund "Validation of Savings Survey in Korean for International Comparison" P.I. \$5,000

2010 SDSU Education and Human Sciences "Saving goals and behavior among South Dakota" with Gorham, L. \$4,600

2010 Mark of Academic Excellence Funds "Consumer Affairs Curriculum/Assessment Revision: Continuation of Workforce Needs Study" with Saboe-Wounded Head, L., and Morrison, K. \$3,000

2009 Mark of Academic Excellence Funds "Workforce Needs Study for Consumer Affairs: Employer Perspective" with Morrison, K. and Saboe-Wounded Head, L. \$3,200

## **Working Papers**

Wealth, Financial Security, Family-to-Work Arrangement, and Migration Decision in the U.S. Farm Community. With Chang, K.-L.

Enhancing savings attitudes: Role of regulatory Focus. With Geistfeld, L. V., Loibl, C., and Haugtvedt, C.

## **Awards, Honors, and Scholarships**

Nominated for 2011 Berg New Faculty Research Support Award (November 2011), SDSU Consumer Sciences Graduate Research Award (February 2009), OSU \$1,000

Nominated for a 2009 Graduate Associate Teaching Award, OSU (December 2008)

Dissertation Award by Filene Research Organization (March 2008) \$5,000

Graduate Teaching Associate (Fall 2005 – Spring 2009)

Graduate Research Associate (Spring and Fall 2003, Fall 2004)

## **Teaching**

### *South Dakota State University*

Instructor, CA 289 Consumers in the Market (Fall 2009, Fall 2010, Fall 2011, and Fall 2012)

Instructor, CA 340 Work Family Interface (Fall 2009 – Spring 2013)

Instructor, CA 412 Emerging Issues in Consumer Affairs (Fall 2011)

Instructor, CA 450 Family Financial Planning Cases and Applications (Spring 2010 & 2011)

Instructor, CA 494 Consumer Affairs Internship (Summer 2009 – 2012)

Instructor, CA 430 Consumer Decision Making (Behavioral Economics) (Spring 2012)

### *The Ohio State University*

Instructor, CS 543, Consumer Decision Making (Consumer Behavior) (Spring 2009)

Teaching Associate, FRM 543 Consumer Decision Making (Fall 2006 - Fall 2007)

Teaching Associate, FRM 243 Consumer Problems (Fall 2006, Winter, Spring, & Fall 2007)

Teaching Associate, FRM 567 Families in Business (Spring 2006)

Teaching Associate, FRM 644 Quantitative Methods in Consumer Affairs (Spring 2006)

Teaching Associate, FRM 340 American Households: Indicators of Economic Status (Winter 2006)

## **Student Advising (Undergraduate)**

National Consumers League, Advisor of SDSU Student Chapter

Sophomore Mentoring Program: Mentor for four Consumer Affairs students (Fall 2011)

Advised undergraduate students' research and publications:

- Schmuck, J. (2011) "Parental Influence on Adolescent's Academic Performance" *Journal of Undergraduate Research*, 9. Received Schultz-Werth Research Scholarship (\$250)



- Williams, S. (2010) “Parental Influence on the Financial Literacy of Their School-Aged Children: An Exploratory Study” *Journal of Undergraduate Research*, 8, 23-33.  
Received Schultz-Werth Research Scholarship (\$1,000)
- DeJong, A. (2010) “Working Mothers: Cognitive and Behavioral Effects on Children.” *Journal of Undergraduate Research*, 8, 75-82.

### **Professional Affiliations**

American Council on Consumer Interests

American Association of Family and Consumer Sciences

Association for Financial Counseling Planning and Education

Multi-State Research Group NC1172 ‘Complex Nature of Savings: Psychological and Economic Factors’

### **Service**

Multi-State Research Group NC1172, Vice-president for 2012-2014

Great Plains Interactive Distance Education Alliance (IDEA) Financial Planning Graduate Committee

American Council on Consumer Interests, Travel Award Committee Chair for the 2012 Conference

Reviewer (Journal of Family Economic Issues, Journal of Financial Therapy, and Family & Consumer Sciences Research Journal)

SDSU World Affairs Council’s Korea Symposium Planning Committee, Fall 2011-Spring 2012

Search Committee member at the Department and College level, Summer 2011–Spring 2012

Department of Consumer Sciences Core Course Development Committee, Spring 2011