

BUDGETING AND FINANCIAL CAPABILITY: A PERSPECTIVE OF BEHAVIORAL HIERARCHY

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Abstract

Budgeting is an important step in financial planning and counseling. Budgeting behavior is also considered a desirable financial behavior to indicate consumer financial capability. However, systematic research on budgeting behavior with a large scale national sample is limited. The purpose of this study was to address this research gap and examine characteristics of budgeting behavior from the perspective of a financial behavioral hierarchy. The assumption holds that consumer financial behaviors may be performed in a hierarchical manner along with an increase of economic resources. Using data from the 2015 National Financial Capability Study, evidence suggests that budgeting behavior is at the lower end of the behavioral hierarchy. This finding has implications for consumer financial planning and counseling.