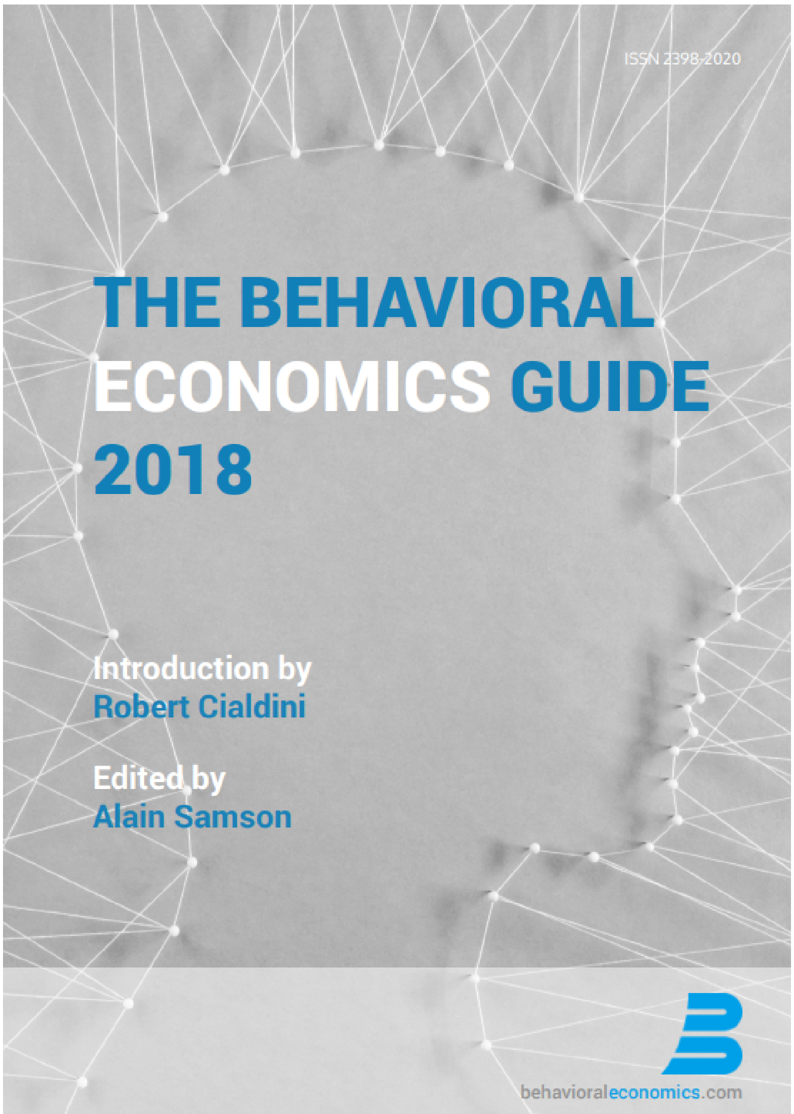
Lending money to friends and who's most risk averse? ING research in the Behavioral Economics Guide 2018

The latest edition of the Behavioral Economics Guide is out and ING consumer economics team examines behavioural patterns exposed into lending money to friends, and a study to find which countries are most risk-averse



The ING angles

For the second year running, ING is co-sponsoring The Behavioural Economics Guide 2018, the bible for anyone with even a passing interest in consumer economics. This year, ING Behavioural Scientists Jessica Exton and Laura Straeter look into the tricky subject of what happens when one of your friends asks to borrow money. In a separate study, ING economist, Maria Ferreira, examines Cross-Country Differences in Risk Attitudes Towards Financial Investment. Maria's fascinating examination makes the point that traditional theories exploring how we make decisions about money often assume that we are perfectly rational and have all the information we need to do so (see page 86 of the guide). In reality, we see that our financial behaviours are heavily influenced by emotions and the environment in which we live.

Click here to download the Behavioral Economics Guide 2018

Analysing international risk perceptions

As we know, many people don't generally feel completely comfortable with risk and we tend to be loss averse. Personal risk perceptions, beliefs, judgments and attitudes all play a crucial role in explaining our investment decisions. This ING analysis shows that there are significant differences in people's attitudes to financial risk across 15 different countries, even after accounting for characteristics such as gender, educational level, income and so on. People living in Germany, Austria and the Netherlands are the most risk-averse while those in the US, Turkey, Australia and the UK are more accepting of risk.

Lending money to friends

Jessica and Laura's submission, *'Piggy-banking on Friends: Finding Sub-Optimal Lending Among Peers* (on page 96 of the guide), finds that within close friendships, potential borrowers are less willing to enter into a financial arrangement than potential lenders. This difference increases with repeated requests: potential lenders become more willing to lend and potential borrowers become less willing to make the request. Given this sub-optimal functionality within the informal lending market, surplus enthusiasm for lending suggests friends might benefit by piggy-backing on banking—piggybanking, if we might coin a phrase—together.

Download the guide

Now in its fifth year, The Behavioural Economics Guide essential reading for those in the behavioural science community and ING is thrilled to be associated with such a prestigious title. You can download it free here. The latest guide features contributions from five continents and an introduction by Robert Cialdini, author of 'Influence: The Psychology of Persuasion' and a guest editorial by renowned economist, Robert Metcalfe.

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