

Assessing the state of economy influence upon customer financial behavior

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Abstract

According to professionals, the economic context has strongly influenced the financial household behavior during last decades. However, past studies related to behavioral finance mainly focused on two thematic. The first one concerns the financial consumer behavior through descriptive acquisition models where the second one is more focused on the psychological and sociological explanations of the phenomena. Moreover, the literature has been silent on the impact of the economic context on financial services ownership by bank and insurance customers. Following a hypothetical deductive model, we hypothesis that the state of the economy impacts the financial services ownership. Using 53 years (1956-2009) longitudinal database of 1,174,878 observations from a leading national insurer, we use Hidden Markov Models and Latent Class Analysis to demonstrate how much state of the economy impacts the financial services detention. In addition to the academic interest (introduction of a new explanatory variable of the phenomena) the managerial implications lie in better acquisition and development strategies for banks and insurances.

Keywords: *financial behavior; latent class modelling; state of economy*

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