



CONSUMER SPENDING BY HOUSEHOLDS AND ECONOMIC DEVELOPMENT IN POLAND

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ABSTRACT

The article presents the theories of consumer behavior, changes in the structure of consumer spending taking place in contemporary households. The analysis covers conditions affecting consumers' decisions, their needs and decision-making processes. Factors influencing the economic situation in Poland were presented, i.e. social programs, the globalization process, or the improvement of the economic situation. Modernizing the economy, new consumption trends lead to changes in consumer behavior. The presented results of secondary household expenditure surveys over the years have analyzed and summarized the trends. A forecast of development trends in consumption among Polish consumers was also conducted.

KEYWORDS: Budget, Consumer behavior, Consumption, Economic development, Households.

1. INTRODUCTION

Contemporary economy is often referred to as consumption. This is due to the increase in consumer spending and improvement in the lives of societies in developing and highly developed countries. Consumption in the present world is one of the most important subjects of research in the fields of economics, psychology or sociology. Knowledge about the needs and decision-making processes of consumers is also necessary in the field of marketing and determines its success or failure. Data obtained from the analysis of this area determine the choice of sales policy strategy or the formation of a market offer in the particular phases of product launch on the market. The basis of the economy is no longer the production of products, but their consumption. Without its constant growth, economic development will not be possible. An example illustrating this thesis is the economic crisis of 2008-2010,

which was caused by the collapse of sales of apartments, cars and other complementary goods. As sales are inextricably linked with consumption, governments and public institutions have taken measures to stop the decline in sales and its stimulation. A significant reduction in consumption would result in a decrease in production, followed by a reduction in employment, an increase in unemployment and, ultimately, an increase in public spending. In summary, the condition of economic growth is the continuous increase in consumption. The goals of the publication are:

1. Determining consumers' behavior on the Polish market and shaping the level of Poles' savings.

2. To examine changes in the structure of households' expenditure over the years in the Polish economy.

2. THEORETICAL BASIS – TERMINOLOGICAL ASPECTS OF THE SPHERE OF CONSUMPTION

When analyzing the behavior of people, they are perceived as having a production or consumption character. Production means the production of goods, while consumption means the use of these goods and meeting the needs thanks to them. The broad meaning of consumption theory translates into a variety of definitions of this concept. In terms of macroeconomics, consumption means the end of the economic cycle, when the created good is transferred to the end user and satisfies his needs. Consumption consists of four elements: human needs, means and ways of satisfying them, as well as the effects of satisfying needs. The need is a feeling of lack of something and a stimulus to action to change this state. The most important aspect when it comes to the object of the needs are not their features, but the usefulness they bring. Consumer behavior is characterized by market behavior and in the household. The subject of the survey are consumer preferences on the market and ways of using the purchased goods. Analyzing the sphere of consumption the final element becomes the effect, or the effects of consumption [1]. The basis for the analysis of consumer needs is the utility theory created by W.S. Jevons, C. Menger and L. Walras. It is based on the study of consumer relation to goods that meet needs and at the same time bring satisfaction. This theory says that the usefulness obtained from successive units of the same good is not the same. With the increase in the consumption of a given good, the increase in satisfaction caused by the increase in consumption by a unit decreases, which leads to a decrease in the marginal utility of the

good. Whether the consumer will be satisfied with the good depends on the severity of the need. The bigger it will be, the more your satisfaction will increase [2].

The basic unit among economic entities is the household, which is considered the center of the economy. Households combine the functions of a manufacturing factor implemented through work, purchase and consumption functions. In economic theory, a household is understood as a group of people jointly managing their property and budget in order to meet the needs of its members. The efficiency of economic management of a household is expressed by maximizing the satisfaction of individual and shared needs. Consumer behavior and the functioning of households are shaped by several factors:

- biological - resulting from the physiological needs of humans, determine nutritional needs and other basic life needs, their knowledge affects the structure and level of consumption,
- economic - include income, assets, prices and supply of consumer products. Income should be considered in terms of real possibilities of purchasing goods, while assets are understood as components of a capital nature, from which the consumer has the possibility to obtain funds, for example from lease or sale,
- cultural - are shaped by customs, habits, traditions, have a special impact on the structure of consumer spending and are closely related to them,
- social - are considered as the composition of the household, professional and social position, level of education and household ties with the environment,
- random situations - they are difficult to predict, may result from diseases, accidents or unusual consumer preferences [3].

The degree of development of a given society is measured by means of gross domestic product, ie the total value of production generated in the economy of a given country. This measure shows the dynamics of changes in the economy. In addition to measures of economic processes, the development of demographic processes is also measured. It happens that the pace of demographic development is higher than the economic one. This situation occurs in parts of Africa, Asia and South America. This does not affect the living conditions in these regions, and thus the structure of consumer spending. The role of the state plays a major role in the economy. The governments of many countries adopt the strategy of social states by balancing the level of resource allocation on the market. They also have the task of economic stabilization, which means preventing economic recession and mitigating the effects of crises [4].

3. REVIEW OF CONSUMER SPENDING

The review of consumer spending in Polish households is based on research carried out by the Central Statistical Office. The research covered about 37,000 households in Poland. They were carried out using a questionnaire, and the data were prepared and adopted on the basis of random sample selection. The article presents a secondary analysis of the presented research results.

Households often have too little money to meet their needs, even basic ones. Satisfying your needs can be defined in terms of quantity and value. Then, however, the problem of satisfying needs is not addressed to the needs of other members of society. The problem in this case is the spread in the level of meeting the needs between individual members of society [5]. After the economic crisis in 2009, it was more difficult for households to meet their income needs. There are positive changes in Poland in this respect, this is due to the increasingly rational management of income.

When analyzing household income, it is necessary to start with the Gini coefficient. It is a measure of inequality in the distribution of the income of the society. This coefficient takes values from 0 to 1 (or if its value is given as a percentage it has a value from 0 to 100). Its value means the degree of income diversification. Together with the increase in value, the diversification is greater. However, lower values mean greater homogeneity of the society's income. In Poland, this indicator has changed in particular social groups quite significantly over the years, as illustrated in the table below.

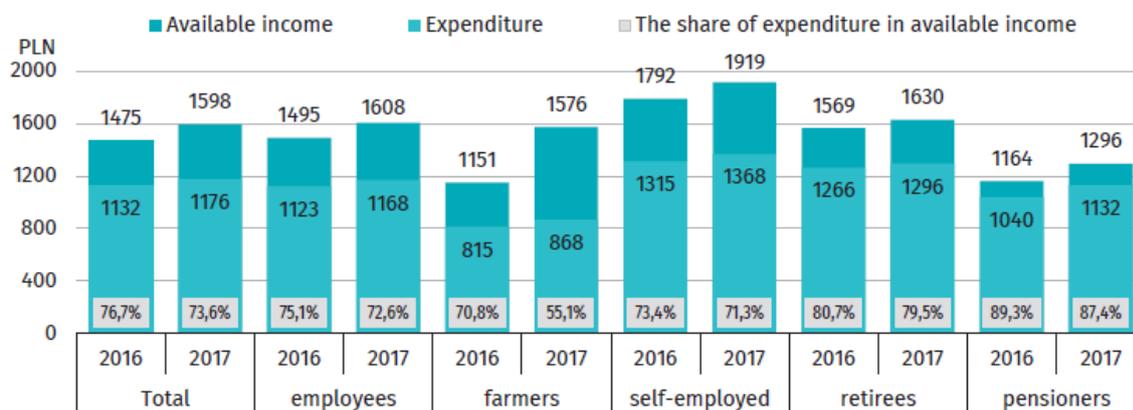
Table 1. Gini Coefficient for the years 2005 and 2017

Specification	Years	
	2005	2017
Poland	0,344	0,298
Households		
Employees	0,371	0,293
Farmers	0,491	0,547
The self-employed	0,403	0,340
Retirees	0,243	0,223
Pensioners	0,290	0,259
Urban	0,331	0,281
Rural	0,330	0,302

Source: Central Statistical Office

The system transformation was quite large in terms of income in Poland at the beginning of the 21st century. During communist times, the standard of living of the population was similar, while significant differences emerged in the market economy. At the level of the whole country in 2005, the coefficient was 0.344, while in 2017 it decreased to the level of 0.298. It is caused by the functioning of social programs whose aim is to help the poorest. The improvement of the economic situation, the improvement of the population's existence and the leveling of wages regulated by the Act are also of great importance. There is a downward trend in almost all social groups and both in urban and rural areas compared to previous years. The only social group among which the income diversification has increased are farmers. This shows a significant uneven income among Polish farmers.

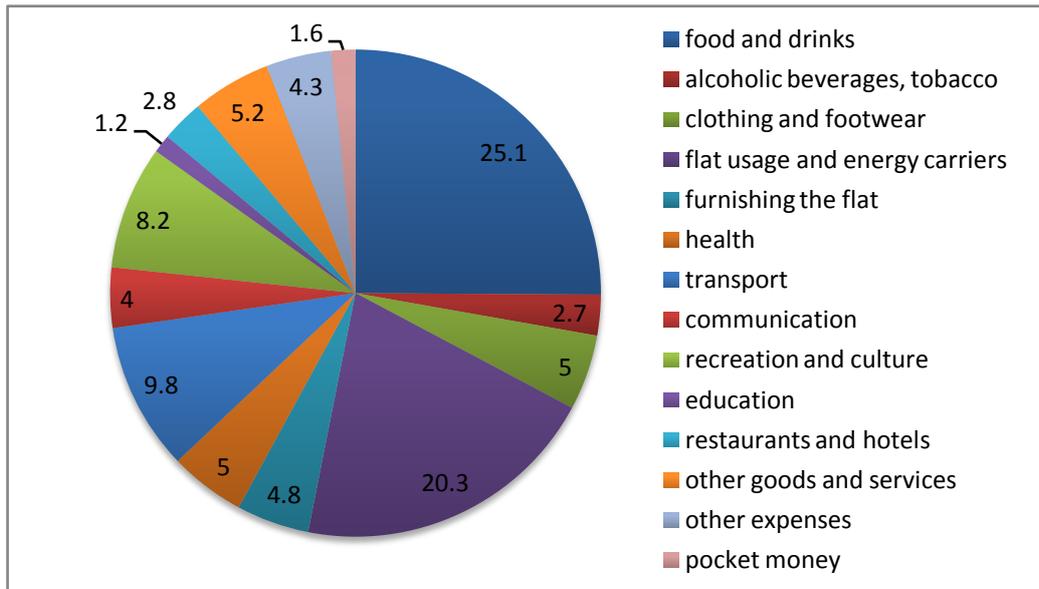
Subsequent surveys conducted by the Central Statistical Office show a far-reaching differentiation between the incomes of various social groups, including sources of income. In addition, the chart below shows the share of expenditures in the entire household budget of particular social groups.



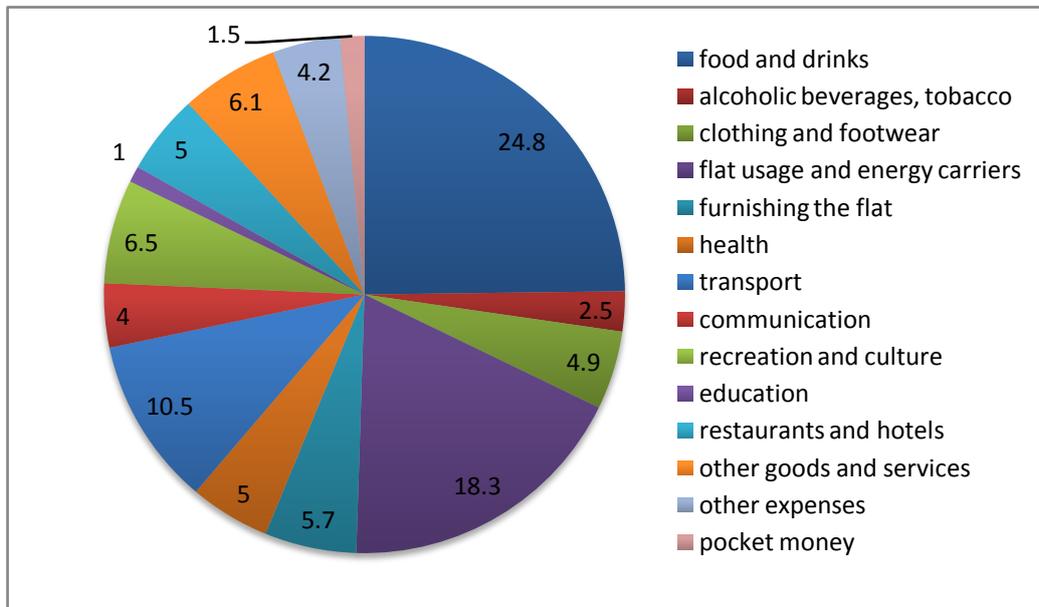
Graph 1. Income and expenses per person in the household in 2016 and 2017

In 2017, the highest share of expenditures in incomes in the amount of 87.4% and the lowest amount of surplus of average monthly income over the average expenditure in the amount of 164 PLN was recorded in households of pensioners. However, compared to the previous year, the situation improved, because there was an increase in the surplus of income over expenditures from 124 PLN in 2016. The share of expenditures in incomes also improved, as the decrease was recorded from 89.3%. Both in 2016 and 2017, the lowest share of expenditure in income occurred in households of Polish farmers. The average level of income and expenditure in this group has improved significantly, from 336 to 708 PLN. This increase is caused by government social programs targeted at farmers who meet certain requirements. However, the large variation in income among Polish farmers, analyzed above, remains a problem.

Subsequently, the structure of consumption expenditure of Polish households over the years 2012-2018 was analyzed.



Graph 2. Structure of household expenditures (in %) in 2012



Graph 3. Structure of household expenditures (in %) in 2018

Both in 2012 and in 2018, food and beverages had the largest share in the consumption expenditure structure. However, there was a decrease in expenses from 25.1% to 24.8%. The other two types of expenditures for which significant budget funds are earmarked are housing expenses, energy carriers and transport. On the other hand, the lowest share in expenditure in 2012 is education (1.2%), pocket money (1.6%) and expenses on alcohol and tobacco (2.7%). In 2018, trends from 2012 are similar. Expenditure on education (1%), pocket money (1.5%),

alcohol and tobacco (2.5%) are in the last places when it comes to the share in the budget of households in Poland.

The financial situation of households is a factor clearly differentiating the level and structure of consumer spending on households. This is expressed through a greater burden on the budgets of the poorest families with expenses for satisfying basic needs, ie expenditures on food and non-alcoholic beverages, and permanent housing fees (fees for owners, water supply and other services related to housing and energy carriers).

4. CONCLUSIONS

Changes in the consumption of modern, highly developed societies have not developed a uniform trend. Sometimes they are convergent and sometimes quite opposite. One of the most important issues is to avoid waste, so that all manufactured goods are not waste, but serve the consumer as long as possible and satisfy his needs. The continuous increase in consumption is a condition for the economic development of society. The changes taking place in the Polish economy can be considered positive, which is manifested by the increase in the level of consumption and the improvement of its structure. Consumption is modernizing and becoming more and more similar to the most economically developed countries. On the other hand, the negative trend in the Polish economy is still the diversified consumption among particular social groups. It is necessary to take action on the part of the government in order to equalize the standard of living of Polish society.

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