Evolving Financial Capability of Vulnerable Consumers in Day-to-Day Practices

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Evolving Financial Capability of Vulnerable Consumers in Day-to-Day Practices

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Abstract

Vulnerable consumers face many challenges in current financial environment. They have a higher risk of financial hardships, limited resources, and a shortage of skills to avoid harsh financial circumstances. The purpose of this study is to enlighten the characteristics of financial capability process and the sources of self-efficacy information in vulnerable consumers' day-to-day practices the financial coaching project serves. Based on the data, with vulnerable consumers self-efficacy is emphasized in the process. The main sources of self-efficacy information are practical experiences, social learning and social support. We argue that building confidence to financial skills seems to play a key role in developing into a competent consumer.

Key words: financial capability process, financial self-efficacy, vulnerable consumers

Introduction

The current financial environment is challenging to all consumers, but especially for those who are living in a vulnerable life situation, such as having a low income or being affected by unemployment, over-indebtedness, divorce, illnesses or addictions to substances (e.g. Autio et al., 2016; Hill & Sharma, 2020). Not only life situations but also novel financial services and new money management technologies challenge consumers' financial knowledge and skills. Skill shortages are especially critical to financially vulnerable consumers (Sherraden et al., 2019).

To control the risks of unexpected financial hardship as well as to increase financial stability, financial literacy is important for consumers. According to Lusardi et al. (2010), financial literacy refers to knowledge and understanding as well as its purpose to promote effective financial decision-making. The objective of financial literacy is to improve overall financial well-being rather than a single behaviour. The process of obtaining financial literacy can be defined as financial capability (Atkinson et al., 2006). Financial capability emphasizes subjective and experienced ability as well as opportunities to promote well-being, i.e. confidence to control his/her own behaviour (Frey et al., 2013). Confidence and self-efficacy (i.e. self-beliefs), along with financial behaviour, influences financial well-being as well as overall well-being (Ranta & Salmela-Aro, 2018; Xiao & O'Neill, 2016). A recent longitudinal study (Ranta et al., 2020) also confirms the important role of financial capability in mediating economic stress and well-being.

Appropriate financial behaviour in day-to-day life requires that individuals possess confidence in their abilities as well as control of their behaviour. In the agentic perspective of human behaviour, confidence to perform desired behaviour is associated with self-efficacy. Higher self-efficacy enhances performance and influences what challenges are undertaken, how much effort is expended, how long to persevere in the face of obstacles and failures, and whether failures are motivating or demoralizing. (Bandura, 2001.) However, confidence in one's own abilities varies. For instance, life experiences influence financial self-efficacy beliefs (O'Neill & Xiao, 2012) as well as abilities such as applying financial knowledge (Serido et al., 2013) and financial literacy (Postmus et al., 2012). In studies of behavioural change, the importance of self-efficacy has been noted when undertaking action towards healthier financial behaviour (Xiao et al., 2014) and is referred to as an important condition of financial capability (Ozmete & Hira, 2011).

Self-efficacy is both a product and a constructor of experiences. Individuals evaluate the experiences of expected consequences, and this reflection influences the actual performance. Thus, experiences are an important source of self-efficacy information. According to Bandura (1997), mastery experiences are the most influential source of self-efficacy information. In addition, vicarious learning i.e. social modelling and social comparison can advance the source of self-efficacy in both positive and negative ways. In everyday life, people compare themselves to peers in similar situations, such as classmates or work associates. Self-efficacy is especially sensitive to vicarious learning when the observer is uncertain or has had little prior experience in similar situations. Added to these, social support is also the source of self-efficacy information. In many financial education programs targeted to vulnerable consumers, mentoring and tutor training are recommended practices (e.g. Adkins & Ozanne, 2005) as well as client-driven approaches (e.g. Sherraden et al., 2016) as they enable the social support of mentors and trainers. According to Bandura (1997; 2001) reflecting upon physiological and affective states function also as the source of self-efficacy information.

Smith and Cooper-Martin (1997) argue that vulnerable consumers have limited capability to minimize financial, physical or psychological disadvantages in their lives, and thus cannot use their full potential to sustain well-being. Financial vulnerability refers to having a low income, financial insecurity or being exposed to financial risks and stress. O'Connor et al. (2019) have defined financial vulnerability as the risk of falling into financial hardship. With limited day-to-day resources, financial vulnerability can have emotional implications, making it difficult to plan for a better future because immediate financial challenges dominate the decision-making (Sherraden et al., 2019). Economic hardship-induced pressures, i.e. economic stress, have long-term effects on subjective well-being (Ranta et al., 2020). In addition, the imbalance between resources and consuming opportunities can cause experienced vulnerability (Shi et al., 2017).

When resources are scarce, skills in allocating them are crucial. O'Neill and Xiao (2011) emphasize the challenges of functioning adequately in stressful life events, disruption or challenging circumstances. Furthermore, vulnerable consumers and low-income families often face difficulties in profiting from educational interventions or training. Especially challenging is adapting financial knowledge that is presumed to affect financial behaviour (Hadar, Sood & Fox, 2013; Kaiser & Menkhoff, 2017). According to Sherraden et al. (2019), the financial well-being of vulnerable consumers requires an emphasis on income sufficiency, financial capability, and asset building. According to Warrener et al. (2013), vulnerable consumers require support in their self-efficacy before they can be considered ready for traditional financial education programs. However, there are only a few studies on financial challenges of vulnerable consumers: divorced spouses (Warrener et al., 2013), survivors of violence (Postmus et al., 2012), and students of restricted schools (Autio et al., 2016). An in-depth analysis of the process of gaining financial capability, especially with vulnerable consumers, is lacking. In the present study of Finnish Addict Hospital customers, we enlighten the characteristics of financial capability process in vulnerable consumers' day-to-day financial practices. We argue how a financial coaching project can enhance to obtain information of financial self-efficacy.

Conceptual Background of Financial Capability in Day-to-Day Life

Financial capability is a broad theorization of financial knowledge and skills, financial self-beliefs and financial behaviour (Frey et al., 2015; Sherraden, 2013). Serido et al. (2013) describe financial capability as a process where changes in financial information improve financial self-beliefs, which thereafter improve financial behaviour, promoting financial well-being and as well as overall well-being. When practiced daily, financial capability results in more than merely completing discrete tasks (e.g. developing a budget) (Delgadillo, 2014).

Financial knowledge often refers to knowledge of financial concepts and mechanisms such as interest, inflation and risk (Lusardi et al., 2010). Financial knowledge can also refer to confidence in assessing financial knowledge, i.e. perceived financial knowledge (Allgood & Walstad, 2016) as well as the cognitive ability to process the knowledge, understanding what information is needed, where to find it, and how to apply it (Atkinson et al., 2006; Huston, 2010).

Self-beliefs act as a self-regulating mechanism that transforms external information and experiences into internal models. Applying new information and gaining new experiences build confidence in abilities and control over behaviour (Bandura, 1997). Financial self-efficacy (i.e. the belief that one is capable of a particular behaviour) and financial attitudes function as financial self-beliefs (Serido et al., 2013). Studies of financial behavioural change emphasize the importance of self-efficacy in initiating new practices (see Peeters et al., 2018). Financial self-efficacy has been positively associated with financial knowledge (Danes & Haberman, 2007; Postmus et al., 2012), savings behaviour (Loke et al., 2015) and assessing investment and savings products (Farrel et al., 2015). Strong self-efficacy has been associated with lower debt rate and financial stress, engaging in consultation for financial planning and financial satisfaction (Lim et al., 2014).

Healthy **financial behaviour** is described as sound routines in financial management, goal setting and following through on intentions. In addition, financial behaviour has been associated with estimating future needs, behavioural outcomes, as well as performing the plans (Atkinson et al., 2006; Remund, 2010; Tang et al., 2015; Xiao, 2016). Sherraden et al. (2019) associate financial well-being with the interaction of people's *ability* to act with their *opportunity* to act. With vulnerable consumers, they specify the challenges in abilities (lack of basic knowledge, lack of resources to pay for timely financial advice) and opportunities (access to financial services).

According to Atkinson et al. (2006) and Xiao (2016), in everyday mastering, five characteristics define financial capability: (1) financial knowledge of expenses and an ability to keep track of these expenses; (2) staying updated with financial knowledge by seeking information; (3) financial behaviour that emphasizes planning and being future-oriented; (4) deciding reasonably in financial matters; and (5) financial behaviour that supports well-being, having few problems to deal with financial obligations and being able to make ends meet (Atkinson et al., 2006; Xiao, 2016). In Zakaria and Sabri's (2013) review of financial capability studies, the most common components of financial capability in a day-to-day context are planning ahead, making ends meet, and managing money.

Overall, practising day-to-day finances can enable the development of financial capability defined as a process that reciprocally combines financial knowledge, financial behaviour and financial self-efficacy promoting financial well-being (Serido et al. 2013). In other words, financial capability is a developmental rather than remedial activity (Loke et al., 2015), and a dynamic process rather than a stabile state (Serido et al., 2013). In this process, experiences of behaviour function as an evaluation of individual resources, and positive experiences build incentives for initiating subsequent behaviour (Bandura, 1997). However, more specific understanding of the characteristics of financial capability process and of the sources of financial self-efficacy information in vulnerable consumers' day-to-day life are needed.

Research Design, Methodology, Data Source and Sample Characteristics

In this study of Finnish Addict Hospital customers, our research objective is to enlighten the characteristics of the financial capability process whilst settling into normal life and initiating daily financial practices after hospital care. The design of this study is a multiple case study, which allows emphasizing the distinctive nature of each case.

Case study research involves studying a specific phenomenon or entity. Used methods to collect and analyse data do not characterize case studies, they rather focus on a particular unit of analysis the case (Willig, 2008). This case study falls into the category of an intrinsic case that focuses on the particulars of one specific phenomenon rather than seeking generalizations. This case study is also naturalistic as it seeks to describe the cases from the ground-up rather than being designed with focused questions (Delgadillo et al., 2016). In giving a holistic understanding of a problem, the case study design enables researchers to recognize and focus on the relevant factors of the issue being explored (Sprow, 2010).

Our data consists of interviews with Addict Hospital customers who have recently adjusted to everyday life after rehabilitative hospital care. The customers participated in a financial coaching project lasting a few weeks where they received financial coaching for their financial situation. After the coaching period, the customers, the coaches and the responsible researcher discussed the project and its outcomes. That is, we studied the very first steps to resume financial activities after rehabilitation. Students of the University of Applied Sciences served as coaches, and they participated in the project voluntarily.

The financial coaching project in this study was designed to support the customers in day-to-day financial practices, such as clarifying the financial situation, liabilities, expenses and income sufficiency, as well as helping them make ends meet. Joining the project was voluntary. However, finding participants for the project was challenging. The project required psychophysiological resources, confessing to needing financial coaching was not easy for the participants and joining the project required several weeks' commitment. In the spring semester, 13 customers attended the project invitation meeting at the hospital. Three of them began the coaching, and two of them continued until the end discussion. In the fall semester, 15 customers attended the second project invitation meeting. Four customers started the project and one of them continued until the end discussion. Altogether, three participants continued in the entire project from the beginning until the end discussion (see Table 1). We gave fictitious names for our participants: Joakim, Laura, and Pete.

Table 1. Background information of the participants

	Joakim	**Laura**	**Pete**
Gender	Male	Female	Male
Age	Thirties	Forties	Fifties
Household	Single	Single mother, one son	Single
Extended household	Spouse and a son live separately	Parents	Brother
Income	Funding from different authorities	Funding from different authorities	Funding from different authorities

Experienced vulnerability	Shortage of skills, knowledge and solid routines.	Challenges to memorize and concentrate due the medical treatment.	Shortage of skills and knowledge, limited financial resources.

The coaching project was designed according to the participants' needs. Joakim's project lasted seven weeks, Pete's project lasted five weeks and Laura's project lasted three weeks. The participants' age and financial situation varied, yet, they all experienced financial vulnerability at the beginning of the coaching project, as previously defined and described in Table 1. The financial situation of the participants changed during the coaching period as shown in Table 2. Joakim's income and expenses were under control by selling the apartment. Laura got her monthly expense structure under control. Pete's financial situation was fairly controlled at the beginning of the coaching period and he was able to reduce costs during the project.

Table 2. Expenses, assets and liabilities before and after the project

	Joakim		**Laura**		**Pete**	
	Before	After	Before	After	Before	After
Expenses	Unknown amounts of expenses	Expenses cleared out and open liabilities paid	Unknown amount of expenses	Monthly expenses structured	Fixed expenses structured	Fixed expenses structured; some decreased
Assets and liabilities	Own apartment, unknown amount of debts	Apartment sold, liabilities cleared out and paid	Unknown amount of debts	Unknown amount of debts	No major assets or liabilities	No major assets or liabilities

Analysis

The transcribed interviews were analysed by content analysis in two phases. We first concentrated on phrases that reflected the financial capability process. We focused on the expressions of financial knowledge (e.g. information about costs or funding opportunities), financial self-beliefs (e.g. expressions of confidence) and financial behaviour (e.g. money management practices). In the second phase, we scrutinized the expression of self-beliefs focusing on self-efficacy and categorized them according to Bandura's (1997) four sources of self-efficacy information. The sources were 1) practical experiences (e.g. participants' experiences of tackled financial hardships), 2) vicarious learning (e.g. reflection on their own performance in relations to others), 3) social support (e.g. received feedback from others) and 4) participants' descriptions of their physio-emotional states. We noticed that the financial capability process was different among all three participants. However, we found that all participants shared similarities in their expressions of the sources' financial self-efficacy information. The results are presented as two-folded accordingly.

Three cases of financial capability process in day-to-day practices

Case 1: Joakim. Joakim's preliminary target for the project was to get a clear picture of his financial situation. He was expecting to become a father in the near future and he wanted to 'clear the table', to pay all open liabilities as well as to structure and to minimize the remaining costs. To acquire the needed information, he contacted the creditors. Contacting was emotionally challenging to Joakim as he was used to prevaricate uncomfortable situations like open liabilities. With the weekly social support of the coaches, he managed to contact all of his creditors.
As weekly meetings continued, Joakim's financial overview got more detailed. The meetings made the gradual progress towards the target visible to him. He started to pay open invoices and to cut unnecessary costs. The amount of creditors and open liabilities decreased. He considered the improvements in his financial situation as rewarding and that motivated him to continue the planned steps. Paying the bills on time was a new behavioural trait to him. He was used to routinely postpone the payments. As the project lasted several weeks, he had chances to rehearse paying bills on time. In the end, Joakim commented that he had learnt a new consistent way for money management and that before the project he had lacked needed skills for coherent money management. He also commented that a solid financial situation requires an income being larger than his expenses, and he set that as his new target after the project. He had learnt solid financial behaviour in both practice and theory.

After stabilizing the financial situation, Joakim started to arrange a start-up enterprise. He collected different sources of funding with the coaches. He also gradually prepared a business plan and discussed it in the weekly meetings. He felt insecure in being privileged with start-up funding after screwing up his own finances. However, he referred to his well-formulated business plan, cash flow and risk calculations when going through the potential obstacles as an entrepreneur.

At the beginning of the project, Joakim experienced financial vulnerability. His financial situation and his experienced lack of skills and knowledge and his attitude made him pessimistic about the possibility of a positive outcome for the project. Gradually his confidence in his financial capacity increased. In the financial capability process, financial knowledge initiates financial self-efficacy. In Joakim's case, self-efficacy comes before acquiring knowledge, as following extract explains.

> '*My experience was that tentatively talking to outsiders about my situation was useful and revealing. I got the feeling that the situation is manageable*'.

A master experiences in successful financial performances and social support from the coaches serves as relevant sources of self-efficacy information. He also compared himself to his peers and other addicted customers.

> '..*addicted patients' financial skills are often retarded to kid's level. Just like me, I used to only think about how to spend the money*'.

This comparison at the end of the project helped him reflect upon his learning process. He stated that there are always possibilities for development, but it requires a willingness to change his behavior.

Case 2: Laura. Laura had worked as a social worker and she had helped people in difficult life situations very similar to hers at that moment. Laura had solid knowledge of daily financial practices. However, she did not rely on her capacity to utilize her possessed knowledge and skills. Her lack of confidence in controlling her performance made her feel vulnerable. Laura's project started going through her current income and expenses. The coaches helped her to comprehend the funding decisions, their terms and taxation consequences. They also helped her to structure the costs and contact her creditors. Together they created a budget for daily living, which Laura noticed offered very limited flexibility for living.

The lack of confidence in controlling her financial behaviour characterized Laura's process. During the project, she had difficulties taking control of her financial situation. Instead, she leaned on the authorities and support from others. In the following extract, she explains how her mother will take care of her part of her forthcoming preheritance.

> *'We have tentatively discussed that my mother holds the (inheritance) money, they would not be under my control, but mother dishes it out when needed'.*

Laura's funding came mainly from public sources. According to her experiences the authorities' decisions and schedules to make those decisions were unpredictable. This caused a feeling of being 'bounced around' and made her feel insecure about her financial situation. However, because of her background as a social worker, she had perseverance when operating with authorities and did not hesitate to contact various officials in order to get her applications handled. She claimed that sometimes dealing with various authorities and officials is time-consuming and requires both knowledge and strength. In Laura's case, the financial project did not lead to changes in her daily financial behaviour. However, she stated that her income-expenses balance did not show flexibility, but she is used to considering functions that are available free of charge.

Case 3: Pete. Pete's financial capability process during the financial project. Pete's target in the project was to take control of his costs, make the ends meet and find new income opportunities. He met the coaches in weekly meetings. They first structured his income and expenses. After that, with the support of his coaches, Pete started to scrutinize his expenses one by one in order to decrease costs or cut unnecessary liabilities. They also counted the daily flexibility to cover the grocery store costs. To Pete, the relevant information was the amount he could spend on groceries each day. That information helped him to stay within the limits. Pete and his coaches also examined his monthly costs (e.g. electricity and phone bills). During the project, Pete was able to influence these fixed costs. Coaching sessions that focused on his daily practices helped him consider his daily costs. As in the following extract, Pete explains that careful consideration led to his adjusted financial behaviour (e.g. more conscious grocery shopping). Successful practices (e.g. positive experiences in money management) motivated him to continue the planned behaviour.

> *'... it made me think, and to pay attention to these (financial) practices. Not that I would think about it all the time, or would keep a diary. But I have thought about it and in daily practices you can always save a little bit'.*

The coaches supported him in applying for new working opportunities. They discussed different options and the techniques he could use to submit his online application. This support empowered him to check out job market web pages. However, Pete did not believe in his opportunities to find a suitable job, '*I am a 52-year-old male, there are no open jobs for me*'. At the same time, he gained some extra cash from gambling and this helped him to stay positive about his situation.

Financial Self-Efficacy in Financial Capability Process of Vulnerable Consumers

In the second round of analysis, the data were interpreted according to Bandura's (1997) categorization of sources of self-efficacy information. In our data, self-efficacy was intertwined in gaining new information as well as in learning new practices. With a more in-depth analysis of self-efficacy, we want to enlighten its role in the financial capability process of vulnerable consumers.

In the data, practical experiences referred to the experiences the participants gained from their own performance. Participants' comparisons to peers were interpreted as vicarious learning and social persuasion was interpreted as social support from the coaches. The participants reflected on their feelings and emotions, such as feeling handicapped and depressed as a socio-emotional description (Bandura, 1997). **Practical experiences** were important when implementing the activities for daily practice. Performing the activity once, either with positive or negative consequences did not influence behavioural change. Repeating the activities and gaining more practical experiences empowered the change. As Pete's example, the team structured the income–expenses balance with him. With the information about the daily flexibility to consume, Pete started to pay attention at the grocery store. Learning that paying attention was beneficial, he continued to do so. The confidence of being able to control his behaviour followed. However, the practical experiences of initiated activities did not automatically build confidence. Again as in Pete's case, he was supported in seeking online job opportunities. He visited the sites several times but expressed being unsuitable (too old) for open vacancies and did not proceed further with the plan. Learning to look for open vacancies did not give him confidence in his ability to apply for them.

Vicarious learning had two aspects: modelling the vicarious performance and comparing the model with the participants' own performance. For example, Laura's understanding of her spending habits had these two elements: knowing how to behave and the control to behave accordingly. She compared her behaviour to her child's behaviour. In her case, the comparison had a negative outcome: '*My kids have a considerably more reasonable way to use money than I have... he [son] doesn't necessarily accept the money if I offer it. He says he doesn't need it. His spending is on a way different level than mine*'.

When Laura and Joakim reflected upon their behaviour to their peers, the vicarious learning as a source of information of their self-efficacy was used to explain their behaviour rather than model it: '*This could happen to anyone*', as they said. Thus, the evaluation explained their status being not only due to missing capacities but also due to a challenging situation. Referring to other groups—such as family members and relatives, peers, acquaintances, specialists and people with the same addiction and age—had a positive effect on self-efficacy when the result of the comparison was 'I am better than' or 'I am as good as'.

Social support was an effective source of financial self-efficacy information when entering financial activities. As Joakim explained: '*I am the kind of person out of sight, out of mind. I want to leave things behind and forget them. Now the things were on a plate all the time, I wanted to fix them. So I learned a new habit, acting now and not pushing forward.*'

The Addict Hospital provided treatments aimed at improving their customers' physio-emotional state and was covered by professionals at the hospital. However, the participants expressed **reflections on their emotions** that their financial situation caused them. It was obvious that the customers needed to cope with anxiety and stressful situations in their life, which were challenging for them and affected mastering everyday life financially.

Discussion

According to our study and in line with previous research (Serido et al., 2013), day-to-day financial capability is a combined process of knowledge, self-beliefs and appropriate behaviour, eventually promoting well-being. In the data, financial self-beliefs, especially self-efficacy, was emphasized with the vulnerable consumers.

Financial self-efficacy was an important condition when the participants initiated the daily practices. Building confidence in being able to control one's behaviour was a process and more successful if practices could be performed repeatedly. According to Bandura (1997), resilient self-efficacy is not based on momentary success or failure; instead, it is built on a process of overcoming obstacles. Practising finances in an everyday context is therefore an adequate source in building financial self-efficacy. Bandura (2001) also argues that self-efficacy beliefs affect the choice of challenges to undertake and the kind of environment to live in. In the study, Joakim's case showed this developmental character. At the beginning of the project, he had limited confidence in his capacities, resources or control of behaviour. Eventually, his confidence grew, and at the end of the project, he was capable of choosing to start as a masseur and start his own company.

Although the position of confidence has been emphasized in the financial self-efficacy literature (e.g. Bandura, 1997; Ozmete & Hira, 2011) as well as financial capability (Frey et al., 2015; Serido et al., 2013), it seems essential to understand how the process building of confidence starts and takes place with vulnerable consumers. In other words, confidence (self-efficacy) seems to be a process rather than an existing 'attitude' or skill. Supportive coaching created a safe environment to initiate daily practices to develop self-efficacy.

The coaches were prepared to help the participants attain **financial knowledge.** According to the data, adequate knowledge was closely associated with the needs in daily practices. The participants got new information by practising: building a budget taught them about budgets and checking up on funding opportunities taught them about the different funding sources and their terms.

In daily practices, solid **financial behaviour** has been associated with estimating future needs, planning and setting targets as well as performing the plans (Remund, 2010; Tang et al., 2015; Xiao, 2015). In this project, participants approached future orientation and target setting differently. Joakim was committed to the preliminary target—to clear up his financial situation. The target was concrete and the time horizon was several weeks. Laura's preliminary target was also to get a financial overview. However, her lack of confidence in controlling her finances limited her experienced opportunities to plan her future. Pete had adjusted to his situation, which he did not find optimal. However, his future orientation was associated with the characteristics he felt confident in—to be able to control fixed costs and gain some extra money from gambling.

Coaching as a form of this intervention was considered based on the suggestions made in earlier studies of financial education interventions. Peeters et al. (2018) emphasized the supportive role of working groups. Xiao et al. (2014) explained the role of well-timed education as well as different ways to benefit from adequate financial information to support consumers' confidence. In this coaching project, practical experiences and social support from the team were important sources of self-efficacy information. With vulnerable consumers, the supporting role of families and peers is important. However, prior studies of this topic are limited.

Conclusion

In this study, we shed light on how the financial coaching project enhanced vulnerable consumers' financial capability process. According to Serido et al. (2013), financial capability is a process where financial knowledge initiates self-beliefs and together improve behaviour. That is, financial capability is not a bunch of abilities but a dynamic process where the purpose is to promote well-being. Financial capability in an everyday context consists of the capacity to deal with financial obligations, to make ends meet, to keep track of expenses, to make adequate financial decisions and to stay updated with financial information (Atkinson et al., 2006; Xiao, 2016). In our study, vulnerable consumers' financial knowledge was associated with the information needed in daily practices, and gaining the information was intertwined with the daily practices they initiated. The financial coaching project supported the behaviour and hence helped to achieve and utilize the information.

The role of self-efficacy has been emphasized in the studies of financial capability (e.g. Ozmete & Hira, 2011) and behavioural change (Xiao et al., 2014). With vulnerable consumers, self-efficacy has been associated as a mediator between financial knowledge and behaviour (Loke et al., 2015; Rothwell et al., 2016). Challenging life situations—struggling with addiction, having a low-income level and inadequate financial skills—create feelings that do not support self-efficacy. A vulnerable position emphasizes experiences of powerlessness. In this study, we emphasize the characteristics of financial self-efficacy in the capability process. According to our data, financial self-efficacy can function merely as a mediator but also as a prior condition to financial knowledge and behaviour. Initiating and performing daily financial practices requires confidence in one's abilities as well as the confidence to control one's behaviour. In other words, establishing targets, taking the required steps to reach the target and making adequate decisions all require confidence. We argue that even though financial capability is a reciprocal combination of self-efficacy, knowledge and appropriate behaviour, with vulnerable consumers, building confidence seems to play a key role in developing into a competent consumer.

In the study, we focus on the sources of self-efficacy information that the coaching project enabled. According to Bandura (1997; 2001), there are four main sources: mastery experiences, vicarious information, verbal persuasion and reflection of affective states. In this study, practical experiences, vicarious learning, social support and reflection of affections were the sources of self-efficacy information. In the daily practices, the sources influenced the financial capability process. Practical experiences gained from successful and repeated daily performances were an especially important sources of information.

Financial capability consists of ability as well as opportunity to act. According to Sherraden et al. (2019), with vulnerable consumers, the challenges are in abilities (e.g. lack of basic knowledge) and opportunities (missing access to financial services). Hill & Sharma (2020) approach vulnerability from the scarcity of possessed individual, interpersonal and structural resources. According to this study, the opportunity to function should be understood as the access to structural resources such as government funding and the ability to sustain the funding. With limited individual resources (e.g. knowledge and savings), the undefined waiting time for a public funding decision causes a loss of the sense of control over the financial situation and reinforces the experienced vulnerability, like in Laura's case.

The challenge of financial education interventions is to design them so that they enable and encourage participants to enter financial activities. As Kaiser and Menkhoff (2017) argue, influential education incentives are right-timed and designed according to participants' needs. With vulnerable consumers, this is even more challenging. Vulnerable consumers are often difficult to motivate in participating in coaching projects. Even though vulnerable consumers' financial challenges have similarities to all consumers, building the confidence is a core element of their financial capability.

The purpose of this study is to enlighten the characteristics of financial capability process in vulnerable consumers' day-to-day practices. Despite the limited size of the data, through in-depth analysis, this study explains how financial coaching project can enhance the participants to obtain self-efficacy information via practical experiences, vicarious learning, social support and reflection of emotions. The study emphasizes the importance of financial self-efficacy in financial capability process of vulnerable consumers. As practical implications, we state the importance of on-demand designed financial coaching with vulnerable consumers. The coaching should focus on the challenges the vulnerable consumers face in daily financial practices. Successful daily money management can create a landscape for further future plans.

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