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A BEHAVIORAL ECONOMICS INSIGHT TO ECONOMIC LIVES OF THE POOR IN TURKEY: A CROSS-SECTION ANALYSIS FOR 2006 AND 2019*

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Abstract

The purpose of this paper is to investigate the economic behavior patterns of the low-income level of people in Turkey. In order to investigate how economically disadvantaged people live in Turkey, a cross-section analysis will be conducted for 2006 and 2019 from the Household Budget Survey, a survey conducted by the Turkish Statistical Institute (TURKSTAT).

Demographics, how the poor earn their money, how the poor spend their money and their economic and infrastructural environment are going to be explored by sorting data from three different data sets that are included in the Household Budget Survey.

The need to study the poor in Turkey rose because like it is around the world poverty is an unresolved issue in this country. Given that the poverty issue remains unsolved, it has become necessary and inevitable to look from a new perspective. Thus, in this study a Behavioral Economics perspective is going to be used to explain the lives of poor people and some policy suggestions will be made.

Keywords: Poverty, Behavioral patterns, Cross-section analysis, Welfare.

Jel Codes: H31, I30, P46.

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TÜRKİYE'DEKİ DÜŞÜK GELİR GRUBUNUN EKONOMİK HAYATLARININ DAVRANIŞSAL EKONOMİ AÇISINDAN İNCELENMESİ: 2006 VE 2019 YILLARI İÇİN KESİT ANALİZİ

Öz

Bu makalenin amacı Türkiye'deki düşük gelir grubunda bulunan insanların ekonomik davranış kalıplarını araştırmaktır. Ekonomik açıdan dezavantajlı kişilerin Türkiye'de nasıl yaşadığını araştırmak amacıyla Türkiye İstatistik Kurumu (TÜİK) tarafından yürütülen Hanehalkı Bütçe Araştırması'ndan 2006 ve 2019 yılları için kesit analizi yapılacaktır.

Hanehalkı Bütçe Anketi'nde yer alan üç farklı veri setinden elde edilen veriler sıralanarak demografik bilgiler, yoksulların paralarını nasıl kazandığı, yoksulların paralarını nasıl harcadıkları, ekonomik ve altyapısal ortamları açıklanacaktır.

Yoksulluğun tüm dünyada olduğu gibi Türkiye'de çözülmemiş bir sorun olması nedeniyle bu ülkede yoksulların araştırılmasına duyulan ihtiyaç artmış bulunmakta ve bu ihtiyaç her geçen gün derinleşmektedir. Yoksulluk sorununu henüz çözülemediğinden dolayı bu konuya yeni bir perspektiften bakmak gerekli ve kaçınılmaz hale gelmiş bulunmaktadır. Dolayısıyla bu çalışmada yoksul insanların yaşamlarını açıklamak için Davranışsal İktisat perspektifi kullanılacak ve bazı politika önerilerinde bulunulacaktır.

Anahtar Kelimeler: Yoksulluk, davranış kalıpları, kesit analizi, refah.

Jel Kodları: H31, I30, P46.

1. INTRODUCTION

Poverty is a famous topic around economists; there are plenty of poverty reports; and institutions and organizations such as World Bank and UN are working on poverty. Despite the fact that this being the case, still there are millions of people who are suffering from consequences of poverty such as lack of necessary nutrition, lack of clean water and lack of education, etc.

Since it has been worked on so much and there is still no acceptable level of solution, it can only be concluded as one of the short-comings of neoclassical economics. Instead of resolving the poverty issue, it is quite the contrary, the situation even worsens every day. Considering the Covid-19 pandemic, rising energy and food prices and therefore, the economic crisis we are in at the moment poverty can only be expected to increase even more than foreseen before and even in the 2020, when crisis was not as deep as right now the anticipated numbers were horrifying.

According to World Bank's recent report, in 2020 alone, over 70 million more people now live in extreme poverty, which is the biggest one-year increase since the global poverty monitoring program started in 1990. While the number of people who live below the

\$2.15/per day poverty line is 659 million in 2019, it is projected that 574 million people, 7% of the world's population, will still be living in extreme poverty in 2030 (World Bank, 2020).

Since we do not have a sound solution to the poverty issue yet it can only mean that we-as economists-should have a new perspective. Therefore, respectable amount of economists started to look into this issue from a behavioral perspective such as Bertrand et al. (2004), Beaulier and Caplan (2007), Banerjee and Duflo (2009), Anand and Stephen (2011), Markus, et.al. (2014), Luebker (2014).

In the light of this behavioral economics perspective to the poverty, the general aim of this paper is to exhibit the behavioral patterns of poor people in Turkey and introduce how they live in terms of health, education, money making, how they spend it and their infrastructural resources; and consequently to offer new behaviorally adjusted policies in the light of these findings.

This research aims to examine poverty in Turkey through the lens of behavioral economics, providing insights into the behavioral patterns of economically disadvantaged individuals in the country. The study aims to not only quantify the number of impoverished individuals, but also to depict the living conditions of economically disadvantaged individuals in Turkey. Essentially, the main objective of this research is to capture a comprehensive view of the economic and structural aspects of impoverished individuals' lives through the employing cross-sectional analysis.

Our discussion on this issue will be built on the Household Budget Survey data conducted by the Turkish Statistical Institute (TURKSTAT) for years 2006 and 2019. The purpose of using these two years is twofold. First of all, it will allow us to compare and contrast the differences between these two years; and secondly, it will show us how long a road Turkey has come as a country -if any- in terms of poor people's life quality and opportunities.

2. MOTIVATION AND LITERATURE REVIEW

Poverty is defined in or measured as either absolute or relative poverty. Absolute poverty is also known as extreme poverty and absolute poverty is defined as lack of basic life necessities such as clean drinking water, food, and sanitation (UN, 1995).

The World Bank Organization defines absolute poverty by using a poverty line (poverty threshold). People under the poverty line are considered as poor. The extreme poverty line was set at \$1/day by World Bank for World Development Report 1990: Poverty (World Bank, 1990). The World Bank revised the extreme poverty line to \$1.25 in 2005 (Ravallion, et al.,

2009), to \$1.90 (which is a roundup of \$1.88) in 2011 and \$2.15 in 2017 (World Bank, 2020). The principle behind this international poverty line value change is because it is adjusted according to Purchasing Power Parity (PPP). Since PPP is changing overtime proper adjustments were made to the international poverty line.

It is important to have a behavioral economics view of poverty because even though it is a very well-studied topic, unfortunately, one still cannot say that we have overcome the poverty issue and people around the world live in prosperity. According to World Bank's recent report, it is expected that the number of people in poverty in 2030 will be 574 million while the current estimate is 659 million (World Bank, 2020).

Instead of resolving the poverty issue, it is quite the contrary, the situation even expands as long as we do not change our perspective. Changing the perspective not only forces us to take a different theoretical standpoint but also to change the mindset of the policymakers. Maybe instead of trying to reduce the poverty we should try to increase the well-being and wellness of poor people. Therefore, to produce policies to overcome the poverty issue and increase the wellbeing and wellness of poor people what is needed first is to know the lives of the poor in other words conditions of economically disadvantaged people. Any policy we suggest or made by the policymakers without having this kind of information and insight would be lacking the ability to resolve the issue and unreasonable since to make policies over-the-counter and/or not-knowingly does not work.

It can be said that there are two ways to look at poverty from a behavioral point of view. The first one is how poverty affects human behavior, and the second one is whether the behavior of poor people can be changed by using behavioral incentives which are called "nudges" by behavioral economists. It is safe to say that the answer to both questions is affirmative.

Poverty means that economically disadvantaged people are short of food, clean water, and sanitation; it, also, means that people in poverty have to deal with the consequences of these deficiencies. Having financial problems causes them to have sleeping problems (Mani et al., 2013) and they cannot reach sufficient nutrition levels (Schiff and Valdes, 1990; Pena and Bacallao, 2003; Bhattacharya et al., 2004), therefore it affects their brain functions and causes other health problems.

In their study Mischel, W., Shoda, Y. and Peake, P. K. (1988) famously known as "The Marshmallow Test" found that among 95 adolescents they observed over the years, those who chose delayed gratification -in their experiment more marshmallows were offered later on if

they accept to wait for a certain amount of time instead of just the one they gave to the test subjects instantly- were more successful in their personal lives and social competence. This study was revolutionary because it showed that even at very young ages it was mostly predictable if an individual would be able to cope and adapt socially and professionally to the life ahead.

On the other hand, a recent study revisits this “Marshmallow Test” by experimenting on a wider and more diverse sample and they find that children who have wealthier parents are more successful in delayed gratification in comparison with their less wealthy counterparts (Watts et al., 2018). Since poverty has permanent effects on human behavior we can conclude that poverty is an issue that we must address and solve to have a brighter future. Additionally, it is a scientific fact that lower family income affects children’s cognitive functions negatively (Decker et al., 2020; Mani et al., 2013).

This being said, Banerjee and Duflo (2007) discuss the economic lives of the poor in Cote d’Ivoire, Guatemala, India, Indonesia, Mexico, Nicaragua, Pakistan, Panama, Papua New Guinea, Peru, South Africa, Tanzania, and Timor Leste (East Timor). While they investigate these 13 countries they look into the lives of extremely poor people and use household survey data. As we can see from the list there are countries from Asia, Africa, and Latin America.

Bertrand et al. (2004) looks into poor people’s banking and saving behaviors and their attendance to social programs in the US and suggest several policies according to the patterns they stumble upon.

The motivation of this paper is to contribute some behavioral economics perspective to the literature about the lives of poor people in Turkey by investigating the economic lives and behavioral patterns of the poor in Turkey. While adding a behavioral economics view to the economically disadvantaged people in Turkey and exploring behavioral patterns of the poor demographics, source of income, what money spent on, economic environment and infrastructural conditions are going to be investigated, which is a very similar classification used by Banerjee and Duflo (2007).

3. DATA AND METHODOLOGY

The data used in this study is the Household Budget Survey that was conducted by the Turkish Statistical Institute (TURKSTAT) for the years 2006 and 2019. For each year there are three different data sets, one of them representing the households, the second one representing the individuals, and the third one representing the consumption units. There is

one mutual variable (called BIRIMNO) in all three of the data sets and the relationships are instructed using this mutual variable.

For the year of 2006, there are 8,558 households including 34,939 individuals overall, and out of these households, 517 of them are at 40% median income level that includes 3,054 individuals. On the other hand, for the year 2019, there are 11,521 households including 38,744 individuals in the overall data set, and out of these households, 487 of them are at 40% median income level that includes 2,579 individuals.

All the data sets were weighted before sorting according to used classifications and the household size is OECD equivalent. Demographics, how the poor earn their money, how the poor spend their money, the economic environment of the poor, and infrastructural sources of the poor are explained below respectively.

In this paper, to oversee the economic lives of the poor relative poverty is used since the absolute poverty rate was not calculated and published by TURKSTAT after 2009. Also, to have a significant amount of households 40% median income is used instead of 20% median income. This way it is expected to make more sense of the behavioral patterns of economically disadvantaged people.

4. DEMOGRAPHICS

In this section, first of all, the age distribution of the poor is going to be investigated. Secondly, the closeness of the members of the household to the head of the household is going to be examined considering poor families tend to live with a large number of people in one household to share the expenses. Lastly, the gender proportion of poor people is going under the microscope to see if poverty is just to women and men in Turkey.

In the table below (Table 1), we see the age frequency of the poor. While the mean age frequency is 25.38, the minimum value is 0 and the maximum value is 97 for 2019. According to the information from Table 1, 15.55% of the population that is being investigated in this study is children between ages 0 and 6. 20.33% of this group of people are between the ages of 7-13, and 14.20% of this population is between 14-18 years old. In total, 50.08% of this population is under the age of 18.

Table 1. Age Frequency in 2019

AGE	Freq.	%
0-6	401	15.55
7-13	524	20.33
14-18	366	14.20
19-30	460	15.46
31-40	313	10.99
41-50	263	10.19
51-60	175	6.77
61-70	104	4.05
71-80	35	1.37
80-97	28	1.1

Source: Own Calculations

As can be deduced from the information in Table 1 and also Table 2, poor families have a large number of children. A plausible explanation could be that the fertility level is high among these families. Complementary to the high population of young people, there are only a few older people. One reason for having much fewer elderly people in the population might be a higher mortality rate for those who are older and poor. This difference between the percentage of young people and old people is compatible with Banerjee and Duflo (2007) and Anand and Lea (2011).

Children and youth facing poverty experience health and social inequalities in comparison with their better-off peers. Poverty in children and youth has severe consequences in the aspect of health, social, emotional, cognitive development, and educational outcomes. Because of poor nutrition, children in poverty experience a wide of health problems such as chronic diseases and mental health issues (Wagstaff, 2002; Swinnerton, 2006; Nataraj, 2012; Mukherjee, 2015). Additionally, children born into poverty are more open to substance misuse because of the financial difficulties that their parents experience. Since 50% of the economically disadvantaged people in Turkey consist of children and young people, it is a very critical issue that needs to be dealt with. The issues that this young population faces such as lack of education, poor schooling, lack of food, and lack of proper living conditions are crucial for the future of the country.

Table 2. Closeness to the Head of Household

CLOSENESS TO THE HEAD OF HOUSEHOLD	2006*	2019*
Head of Household	16.93	18.88
Spouse	14.54	14.23
Child	57.5	54.44
Parent	1.87	1.4
Sibling	1.05	0.89
In-law parents	0.23	0.19
Daughter-in-law/Son-in-law	2.36	2.52
Grandchild	5.21	6.75
Other Relatives	0.29	0.47
Non-relatives	0.03	0.23
*%		

Source: Own Calculations

As we can see from Table 2 above, the proportion of the household increased from 16.93% to 18.88% in 2019 in comparison with 2006. Also, the total of head of household, spouse, and child dropped to 87.55% in 2019 while the total was 88.97% in 2006. Considering that the percentage of people who live with non-relatives increased to 0.23% from 0.03% it can be concluded that the number of single people also has increased. While it is not the intention to jump to conclusions, combining these two information may result from the fact that it is getting hard to get married for people taking into account increased wedding costs (McGinnis, 2003).

Additionally, we see a household structure that involves siblings, in-law-parents, grandchild, and other relatives at 11.03% of the population. This ratio is 12.45% in 2019, which is higher than 2006. To live with parents, siblings, cousins or some other family members is common in developing countries.

Table 3. Gender

GENDER	2006*	2019*
Male	46.92	48.78
Female	53.08	51.22
*%		

Source: Own Calculations

In Table 3, we can see the male and female distribution and it is obvious that while there was a higher gender gap in favor of the male portion of the population in 2006 in terms of poverty this gap had gotten narrower in 2019 while it still is in favor to the male population. It is not surprising to have this kind of results since it is a fact that women around the world make less

money than men even though they have the same job and the same responsibilities (Blau and Kahn, 2017; Bennedsen et al., 2018; Jones and Kaya, 2022; Kim et al., 2023)

5. HOW THE POOR EARN THEIR MONEY

In this section, it is going to be examined what kind of jobs the poor have in order to make a living. Since it is common to have multiple occupations for people who have a certain life standard, it is worth mentioning that it is not found in the questionnaire if people have multiple occupations. Therefore, it is assumed that the graph below shows the main source of earnings.

Table 4. Professions

PROFESSION	2006*	2019*
Managers	1.27	1.13
Professionals	0.51	1.35
Technicians, technicians and associate professionals	0.25	0.9
Staff working in office services	0.13	0.9
Service and sales people	4.59	13.54
Skilled agricultural, forestry and aquaculture workers	57.2	42.66
Craftsmen and related workers	10.32	9.48
Plant and machine operators and assemblers	4.2	4.97
Those who work in jobs that do not require qualifications	21.53	25.06
*%		

Source: Own Calculations

As we can see from Table 4, most of the poor people work as agricultural, forestry, aquaculture, craftsmen, and related workers as expected. Also, a considerable amount consists of those who work in jobs that do not require qualifications which is an issue of lack of specialization. Another point that should be considered is that the percentage of skilled agricultural, forestry, and aquaculture workers dropped to 42.66% in 2019 while it was 57.20% in 2006, meaning that agriculture, forestry, and aquaculture industries losing their skilled workers to sales and service and more unfortunately to those jobs that do not require specific skills and qualifications which is very unfortunate for Turkey's agriculture, forestry, and aquaculture industries.

6. HOW THE POOR SPEND THEIR MONEY

In this section, it is going to be covered that even though people work hard as much as they can what kind of choices they have to make in terms of consumption. In Table 5, below, there are twelve consumption categories as Food and non-alcoholic beverages, Alcoholic beverages, cigarette and tobacco, Clothing and footwear, Housing and rent, Furniture, House

appliances and home care services, Health, Transportation, Communication, Entertainment and culture, Educational services, Restaurant and hotels, Various goods and services. The percentages show how much of the income of poor people spent on each of these twelve categories listed above.

As it can be expected a very big portion of the income of these people who are in the low-income group needed to provide food and housing (See Table 5). Unfortunately, is it very hard for these people to afford to go to restaurants and hotels and they can barely manage health care and education and allow themselves to entertain.

Since these people have very little budget to spare for health/well-being and education expenses, it will affect the future of their children severely. While it is obvious that poor families and children should be supported by the government at the infrastructural level, we can easily see from Tables 13, 14 and 15 that this is not the case. Most of the poor households do not even have easy access to health and educational services.

It is also obvious from the table that since people had to spend more on housing and rent they had to decrease their food consumption. Thus, lack of nutrition will cause health problems both in adults and children. Increased health issues would require easy access to health care services which these people do not have (See Table 13).

Table 5. Consumption Categories

COMSUMPTION CATEGORY	2006*	2019*
Food and non-alcoholic beverages	36.3	31
Alcoholic beverages, cigarette and tobacco	5.6	5
Clothing and footwear	4.6	3.3
Housing and rent	31.1	35.2
Furniture, houses appliances and home care services	4.1	4.6
Health	1.6	1.6
Transportation	5.5	6.4
Communication	3.9	3.6
Entertainment and culture	1.1	1.4
Educational services	0.4	0.4
Restaurant and hotels	3.2	4.9
Various goods and services	2.4	2.7
*%		

Source: Own Calculations

Moreover, it is found in the data that more than 4% of poor people do not own a refrigerator and almost 7% of these people do not have a washing machine as of year 2019 (See Table 6 below).

Table 6. Assets

ASSETS	2006*	2019*
Computer	1.32	7.39
Dishwasher	1.16	22.79
Refrigerator	87.62	95.69
Washer	45.26	92.81
Mobile Phone	62.09	95.89
Microwave	0.39	4.52
Bike	1.93	3.9
Car	2.9	13.15
Television	92.46	65.71
A/C	0.97	19.1
*%		

Source: Own Calculations

7. ECONOMIC ENVIRONMENT

To have a better understanding of the economic environment of poor people their financial behavior and home and land ownership behavior are going to be covered in this section.

7.1. Banking and Savings

On the one hand, when you have a tight budget to manage and you can barely afford food and shelter it might be hard to save. On the other hand, you may hold onto your savings instead of having them in a bank account because of several reasons such as trust or not enough interest rate. In this section, the credit card information and savings information are going to be covered. It should be mentioned that while this information was unavailable in the 2006 questionnaire it is available for 2019.

Table 7. Credit Card

CREDIT CARD	2019*
Yes	10.88
No	89.12
%	

Source: Own Calculations

As we can see from Table 7, only 10.88% of people who are in the low-income group have credit cards. It can be interpreted as a good sign since having a credit card actually means you are borrowing money from the bank and spending the money you do not have yet and you eventually have to pay back at the end of the month. When you have a tight budget it is not very wise to get a loan while you can barely afford food and housing.

Table 8. Savings

SAVINGS	2019*
Real Estate (House, shop, land, field, etc.)	1.03
Gold	1.03
Bank account	0.62
Fund participation certificate	0.21
Investments in the business	0.21
Not Saving	95.89
Other	1.03
*%	

Source: Own Calculations

We can see the savings of poor people in Table 8 and not surprisingly almost 96% of the poor people are not saving.

7.2. Land Ownership and Home Ownership

Duflo and Banerjee (2007) mention that the poor tend to own land historically. The picture we see in Turkey is while 29.79% of the poor own land this situation had worsened in 2019 and the number dropped to 17.45% from 29.79% (Table 9).

Table 9. Land Ownership

LAND OWNERSHIP	2006*	2019*
YES	29.79	17.45
NO	70.21	82.55
*%		

Source: Own Calculations

The situation for home ownership is even worse than land ownership. As we can see from Table 10, the rate of home ownership for people was 70.6% in 2006 but it is down to 58.73% in 2019, which explains some part of the increased housing expenses.

Table 10. Home Ownership

HOME OWNERSHIP	2006*	2019*
Owns	70.6	58.73
Tenant	19.34	25.46
Lodging	0.19	0.41
Doesn't own but doesn't pay rent	9.86	15.4
*%		

Source: Own Calculations

8. INFRASTRUCTURE

In this section, access of the poor people to some necessities such as tap water, electricity, internet, health facilities, shopping centers, transportation, banking, and postal services are going to be examined. Since these are the services mostly provided by the government in this

part of the paper we are going to see what kind of sources and utilities are administered by the government to the poor people. Even though this kind of information does not necessarily enclose direct behavioral patterns of poor people, it has immense importance in ensuring the future behavioral patterns of the poor and their children.

8.1. Electricity, Tap Water, and Internet

It was reported by TURKSTAT that all people who were surveyed in 2006 had electricity, hence the questionnaire did not have that information for 2019. On the other hand, as we can see from Table 11 while there is a considerable amount of improvement in tap water access there are still people who do not have access to tap water. This means that they have either to carry the clean water to their home or to be delivered. While the first option is time-consuming, the second option might be very costly.

Table 11. Tap Water

TAP WATER	2006*	2019*
YES	23.4	99.18
NO	76.6	0.82
*%		

Source: Own Calculations

Another important utility of the modern age is the internet. It is in every aspect of our lives. While some of us cannot think of a life without it, as we can see from Table 12 below, there are still a lot of people who do not have access to internet. To be precise 71.46% of the poor people in Turkey do not have internet access. Repercussions of not having access to the internet for kids in today's age considering they can spend very little on education are going to be enormous.

Table 12. Internet

INTERNET	2006*	2019*
YES	0	28.54
NO	100	71.46
*%		

Source: Own Calculations

8.2. Easy Access to the Health, Banking Services, Postal Services, Grocery Stores, Public Transportation and Public School

Health care services, banking services, postal services, shopping services, transportation and schooling have deniable importance for all of us. While this is the case, it is more important to

have easy access to these services for poor people since they have limited resources and private sector options are not an affordable option for them.

In the tables below (Table 13, Table 14, and Table 15) we have the information for each of these services for the accessibility levels of very easy, easy, medium, difficult, and very difficult. These tables only have the information for the year 2019 because the 2006 survey questionnaire did not have these questions.

As we can see from Table 13, it is not easy for 65.5% of poor people to access to a health center. Considering that health is one of the most important and indispensable aspect of life it is needless to say that health services for poor people should be improved.

Table 13. Health Center Services

Easy access to Health Center Services due to the location of the residence	2019*
Very easy	5.13
Easy	29.36
Medium	14.37
Difficult	39.63
Very Difficult	11.5
*%	

Source: Own Calculations

Table 14 shows how easy access to primary school services is due to the location of the residence for poor people. A similar pattern arises for the public school services with accessibility of health services. For most of the poor people, it is not easy to access primary school services.

Table 14. Primary School Services

Easy access to Primary School Services due to the location of the residence	2019*
Very easy	6.57
Easy	39.22
Medium	14.78
Difficult	29.77
Very Difficult	9.65
*%	

Source: Own Calculations

Moreover, Table 15 shows the same pattern. Accessing daily necessities such as grocery stores, banking services, postal services, and public transportation is not easy for people who have low income. Therefore, spending more time and money on these kinds of services means that they have to spend less on their food consumption and housing. According to Blakstad et al. (2020) nutrition deficiency affects our ability to work and produce. It has even more severe

consequences for children and their success rate in school and the future (Haas et al., 1996). Thus, it is not only important for poor people and their children to improve their condition by the government it is also important for the future of the country.

Table 15. Daily Shopping Services, Banking Services, Postal Services and Public Transportation Services

Easy access to Daily Shopping Services due to the location of the residence	2019*	Easy access to Banking Services due to the location of the residence	2019*	Easy access to Postal Services due to the location of the residence	2019*	Easy access to Public Transportation Services due to the location of the residence	2019*
Very Easy	5.13	Very easy	3.49	Very easy	3.49	Very easy	5.34
Easy	31.01	Easy	24.02	Easy	26.28	Easy	31.42
Medium	15.4	Medium	13.96	Medium	14.37	Medium	15.4
Difficult	37.17	Difficult	46.41	Difficult	44.15	Difficult	36.14
Very Difficult	11.29	Very Difficult	12.11	Very Difficult	11.7	Very Difficult	11.7
*%		*%		*%		*%	

Source: Own Calculations

9. DISCUSSION AND POLICY SUGGESTIONS

Poverty is a well-studied yet not solved on the contrary a growing problem of humanity. Hence it could not have been solved yet it is necessary to look from another perspective. Consequently, behavioral economists started to study poverty issue. Thus, in this paper, it was argued and exhibited the behavioral patterns of poor people in Turkey.

For this purpose, the Household Budget Survey for the years 2006 and 2019 has been used to investigate the demographics, the money-earning methods, the way of spending money, the economic environment, and the infrastructural conditions of the poor people in Turkey. While it is important to examine the demographics, money-earning methods, the way of spending money, and the economic environment of poor people in order to reveal behavioral patterns of poor people; it is also important to see their infrastructural conditions of the poor people to improve their current and future situations. That said, it is important for the future of their children and hence the country.

This paper not only contributes to the behavioral patterns of the poor, it also contributes that the lack of specialization and loss of skilled agricultural, forestry, and aquaculture workers to other industries are other problems that Turkey is facing. Therefore, being aware of these problems youth should be oriented and educated to have higher skills in the workplace via choice architecture and/or liberal orientation.

The term “Choice architecture” is mentioned by Cass Sunstein and Richard Thaler (2008) as a way to reduce biases brought on by bounded rationality. Choice architecture is a process of influencing choices of people and this concept was coined by Thaler and Sunstein (2008) and refers to the act of influencing choice by "organizing the context in which people make decisions” (Thaler et al., 2013). There are 6 tools of choice architecture: Incentives, Understanding mappings, Defaults, Give feedback, expect error, and Structure complex choices. These 6 principles are going to be very useful to orientate the choices of people. Additionally, in light of agricultural problems such as global warming and lack of water, losing skilled agriculture workers should be avoided by making working in agriculture more preferable.

Moreover, health centers, public schools, public transportation, daily shopping, banking, and postal services should be made more accessible. Medical services such as vaccinations and treatment for common illnesses are provided by health care centers. Since it is not possible for economically disadvantaged people to afford private healthcare, it can be assumed public health facilities are their main source of healthcare. A low-income family’s quality of life and well-being can be considerably improved by having easy access to public healthcare services. Therefore, it is important to make the application processes for government benefits easier and simple for individuals who are eligible fail to apply due to complex and long procedures. Optimizing and minimizing procedures of the social welfare programs should lessen the cognitive burden on individuals.

People with limited financial resources need affordable and dependable public transportation. It makes it possible for them to get to work, go to school, get to medical appointments, and take part in community events. The absence of proper transportation choices will cause low-income individuals to encounter obstacles to work, access to education and basic services; consequently, this will cause them to be trapped in poverty.

The availability of shopping alternatives and accessibility of affordable and nutritious food options in economically challenged communities can help low-income individuals to improve their well-beings and to avoid diet-related health issues.

As we saw in Table 12, 71.46% of low-income individuals do not have internet access. Since accessing digital banking and digital communication options are hard for them, having easy access to banking services and postal services becomes crucial for them. Easy access to banking services is necessary for economic empowerment and financial inclusion. Being able to access banking services easily would allow people to manage their money and open

savings accounts. Engaging in economic activities may promote financial stability among economically disadvantaged people and help them to break the poverty cycle. Also, having easy access to postal services allows them to stay connected and access necessary services such as paying bills, and receiving and sending important documents.

Since education might be a pathway to upward mobility, providing equal and easy access to education is another crucial issue. Receiving a quality education will help children to be equipped with different skills and knowledge, and support them academically. Schools are not only places for education, they are also important for socializing. Plus, proper nutrition and food can be provided for economically disadvantaged young people in schools.

Another key point would be making daycare services free of charge for the low-income group. This would allow parents to work more and earn more money. Furthermore, internet services should be provided for the low-income group. Importantly, housing prices should be controlled. Also, the low-income group should be provided with food stamps. Lastly, free vocational training opportunities should increase for under-skilled people.

Additionally, it is a fact that as people get older their disadvantages increase therefore it can be deduced that people should save more in their youth. According to the life-cycle theory of saving households are expected to solve an optimization problem for each period of their lives and to decide how much to spend and how much to save accordingly, this is based on the assumption that households wish to smooth consumption throughout their lives.

To remedy this issue there is a tool called Save More Tomorrow (SMT) invented by two behavioral economists Thaler and Benartzi (2004) to encourage retirement savings and this tool should be used more by the Turkish Government. Even though there is an auto-enrollment pension system for government workers in use in Turkey that has started at the beginning of 2017 for the people who are under the age of 45. Thus, the government should give more financial incentives and expand the implementations of programs such as this one for workers other than the government workers and the age limit should be higher.

When we look at the gender percentage of poor people in Turkey although there is a decrease in the female proportion of the poor we see that the female proportion is still maintaining a higher proportion than the male population. When implementing policies to decrease poverty and increase welfare in the country, the main purpose of the government should be in favor of women. Data shows us it is necessary to implement effective regulations that are to be used to decrease poverty; considering that promoting gender equality and diversity have significant

improvement effects on organizations, institutions, and the overall economy (Profeta, 2017). Also, reducing gender inequality and raising the status of women may result in stronger macroeconomic stability and growth rates (Stotsky, 2006).

While it is important to empower women at every level, women with low income especially should be supported. Since it is a cultural norm for women to take care of the children and daily routines such as cleaning and cooking, being in poverty increases the burden of unpaid time for women. Thus, micro-financing and/or micro-crediting are methods that the Turkish government uses to encourage women to start new jobs. However, the ongoing policies are hardly enough; hence, more economic policies should be implemented in terms of decreasing gender inequality in the low-income group.

Overall, economically disadvantaged people in Turkey exhibit similar economic behavioral patterns to poor people in high-income countries such as the USA (Bertrand et. al., 2004) and low-income countries (Banerjee and Duflo, 2007; Anand and Lea, 2011).

In conclusion, regardless of their socio-economic status, providing these facilities and opportunities to low-income individuals will reduce the inequality gap by promoting equal opportunities, empowering them and helping them to break the poverty cycle. Lastly, it is important to provide simplified default options to reduce the cognitive burden on individuals in various areas such as increasing savings, free healthcare and education, to nudge people into more healthy choices with offering modest rewards for consistent physical activity or sending timely prompts for medical examinations.

10. CONCLUSION AND IDEAS FOR THE FUTURE STUDIES

In this study, a snapshot of the living arrangements of the low-income group of people in Turkey has been investigated by using a Cross Section Analysis for 2006 and 2019 with Household Budget Survey Data. It has been concluded that low-income people exhibit common economic behavioral patterns.

Economically disadvantaged people in Turkey have very limited savings since they have to use their resources for immediate expenses. They also rely on cash-based transactions rather than using credit cards as a result of limited access to banking services. Thus, it can be concluded that they do not participate in the formal financial system.

As a consequence of financial constraints, low-income people spend a significant proportion of their income to meet basic needs such as housing and food. As a result of spending a high

portion of their income on necessities, they can spend very little for health, education, and entertainment purposes.

Scarce resources are limiting these people to access quality education, training, and health opportunities. Lack of health and well-being and skill development result in having unskilled jobs and therefore, being locked into the cycle of poverty.

Hence, there is still a large room to make people's lives and therefore the future of the country better. Thus, several policy suggestions have been made such as how to increase retirement savings, how to include more women in the workplace, and how to direct youth in mastering important and necessary skills.

For future studies, it can be suggested to compare Turkey with economically similar countries to see if the economically disadvantaged people have the same patterns as they do in Turkey. It would be a great addition to the literature comparing the lowest income level group of people with higher income level groups to see how their behavioral patterns differ in another paper.

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