Dynamic Budget Monitoring: When Feedback Leads to Spending Acceleration
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Background
Consumers often create budgets and monitor their spending over the budget period. Accurate tracking of one’s expenses helps curb spending (Krishnamurthy & Prokopiec, 2010; Soman, 2001; Sussman & Alter, 2012). Consistent with this view, countless financial institutions and online apps (Mint) offer consumers real-time accurate feedback on their spending. Similarly, consumers are actively tracking to manage their spending.

Pilot Survey: Consumers’ beliefs about the effect of feedback on spending.
“How do you think accurate spending feedback would affect your spending decisions?”
A. Receiving feedback leads to less spending (70.5%)  
B. Receiving feedback does not affect my spending (29.5%)  
C. Receiving feedback leads to more spending (0%)

Factors Affecting Spending Under Budget Constrain
◆ Money available in the budget  
◆ Future money slack (money relative to time left)

Study 1
- 2 Spending Feedback (present vs not, between subjects) X 2 Time (on day 6 vs day 26 of the budget, within subjects); N=145.
- DV: Spending amount

Study 2
- 3 Spending Feedback (present vs not vs not present+time salient, between subjects) X 2 Time (on day 6 vs day 26 of the budget, within subjects); N=237.
- DV: Spending amount

Study 3
- 2 Feedback Interpretation (focus on budget success vs. control, between subjects) X 2 Time (on day 6 vs day 26 of the budget, within subjects), N=107.
- DV: Spending amount

Abstract
We show that receiving spending feedback (vs. no feedback) leads to an increase in spending over time, when there is money slack in the budget. We argue that consumers with no spending feedback focus on budget amount depletion. In comparison, consumers who receive spending feedback, focus on both budget amount left and time remaining in the budget period. As a consequence, consumers with no feedback decrease their spending over time, while consumers with feedback increase their spending over time. Changing consumers’ interpretation of feedback in a time-insensitive manner attenuates spending acceleration.

We question the effectiveness of providing spending feedback for consumers budget adherence. Specifically, we demonstrate that providing repeated positive feedback to consumers can lead to spending acceleration, adversely affecting consumers, compared with situations where no spending feedback is present. We also suggest ways to improve the framing of spending feedback, such as nudging consumers to interpret feedback in a time-insensitive way (e.g. as discrete success check) to attenuate spending acceleration.