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Consumer Vulnerability and Financial Well-Being: A Study on Credit Consumption Among Young Entrepreneurs at the Pernambuco's Clothing Cluster in Brazil

Talita da Silva Andrade
Universidade Federal de Santa Catarina - talita-andrade@hotmail.com
Elielson Oliveira Damascena
Universidade Federal de Pernambuco - elielson.damascena@ufpe.br

Abstract

This study aims to understand how consumer vulnerability and financial well-being are related to the credit consumption of young entrepreneurs at the clothing cluster in Pernambuco state. Using qualitative research, at the first phase of data collection, 12 individual, face-to-face, semi-structured interviews were conducted with young entrepreneurs. After transcription, the data were organized, and a content analysis was performed. The research results indicate that the consumption of credit among young entrepreneurs can lead them to vulnerable situations, affecting their financial well-being, highlighting the importance of knowledge about financial well-being for decision making. Lack of attention to this aspect can lead to consumer vulnerability, with immediate negative results. Transformative propositions for the consumer environment are suggested to help organizations deal with consumer vulnerability, especially related to credit.

Keywords: Consumer Vulnerability, Financial Well-Being, Credit Consumption, Young Entrepreneurs.

Vulnerabilidade do Consumidor e Bem-Estar Financeiro: Um Estudo sobre o Consumo de Crédito entre Jovens Empreendedores do Polo de Confecções de Pernambuco, no Brasil

Resumo

Este estudo tem como objetivo compreender de que forma a vulnerabilidade do consumidor e o bem-estar financeiro se relacionam com o consumo de crédito entre jovens empreendedores do polo de confecções do estado de Pernambuco. Recorreu-se a uma investigação de natureza qualitativa e, na primeira fase da recolha de dados, foram realizadas 12 entrevistas individuais, presenciais e semiestruturadas com jovens empreendedores.

Após a transcrição, os dados foram organizados e submetidos a uma análise de conteúdo. Os resultados da investigação indicam que o consumo de crédito por parte dos jovens empreendedores pode conduzi-los a situações de vulnerabilidade, afetando o seu bem-estar financeiro, o que evidencia a importância do conhecimento sobre o bem-estar financeiro para a tomada de decisões. A falta de atenção a este aspeto pode originar vulnerabilidade do consumidor, com resultados negativos imediatos. São sugeridas proposições transformadoras para o ambiente de consumo, com vista a ajudar as organizações a lidarem com a vulnerabilidade do consumidor, especialmente no que respeita ao crédito.

Palavras-chave: Vulnerabilidade do Consumidor, Bem-Estar Financeiro, Consumo de Crédito, Jovens Empreendedores.

1. INTRODUCTION

This article proposes a contextualized approach to consumer vulnerability and financial well-being, focusing on young entrepreneurial credit consumers within the Pernambuco's Clothing Cluster. This region is notable for its participation in the global market for apparel, yet faces significant challenges (Silva Filho et al., 2021). Considering the relevance of the presented theories to the subject of this study, the research aims to underscore the practical significance of its findings, exploring how the results can inform public policies, guide business practices, and support specific interventions to effectively assist young entrepreneurs.

Consumer vulnerability suggests an unfavorable condition, some level of fragility that exposes the individual to potential danger, placing them in inferiority, especially in the difficulty of making a decision at the time of purchase (Oliveira, 2010). Stewart and Yap (2020) further emphasize that vulnerable consumers are those unable to select or access essential products and services that meet their needs without difficulty, excessive cost, or disproportionate time expenditure, thereby exposing themselves to the risk of harm.

Smith and Cooper-Martin (1997, p. 4) define vulnerable consumers as "those most susceptible to psychological, economic, or physical harm" as a result of economic transactions due to characteristics that interfere with their ability to benefit and provide well-being. Vulnerable consumers fail to understand their own preferences and/or lack the knowledge, skills, or freedom to act according to them, which has the potential to cause increasing harm (Ringold, 2005).

Consumer vulnerability has become an emerging concern for many parties, and it is believed that various factors influence their financial well-being. Given that consumer vulnerability is understood by both internal and external factors of consumers, it can be momentary when consuming something, thus experiencing a lack of control during the decision-making process of the purchase (Baker, Gentry & Rittenburg, 2005).

Thus consumer vulnerability opposes financial well-being, as it represents a person's propensity to face difficulties in meeting their financial obligations and sustaining their current and continuous standard of living (CFPB, 2015). It is understood that, in general, a consumer with less knowledge of managing their personal finances is more likely to experience vulnerability (Prawitz & Cohart, 2016).

According to Arber, Fenn, and Meadows (2014), Financial Well-being (FWB) is the rating perceived by the individual regarding satisfaction with the adequacy of their income in relation to their personal needs. Although previous research on financial well-being often focuses on presenting a current concept, research now applies behaviors in which individuals are measured and examines the following elements: day-to-day financial management, financial resilience, ability to seize opportunities or pursue financial goals, and feeling financially secure about the future.

However, presenting a concept of FWB, the CFPB (2015) relates to habits, customs, and experiences with money encouraging definitions of financial well-being that should be presented in four indicators aimed at: control over their finances, financial freedom to enjoy life, focus and commitment to financial goals, and protection against present and future unforeseen events as updated by the Securities and Exchange Commission of Brazil (CVM).

According to the CVM (2018), the first pillar, control over finances, concerns whether individuals are aware of the resources spent on expenses in general. The second pillar, protection against unforeseen events, concerns individuals' ability to deal with unexpected expenses. Financial goals are related to saving money to achieve some objective or project. And the last pillar, freedom to make choices, deals with issues related to individuals' ability to enjoy life as they manage their resources.

Thus, conceptions about credit consumption and its impacts on consumers' lives and their FWB through a marketable commodity (Mahendru et. al., 2020) represented by financial resources where they would be available for expenses or investments, financing the purchase of goods, among others (CMV, 2018). However, there is the idea that credit can act as additional income, being used and influenced by a more materialistic lifestyle (Garðarsdóttir & Dittmar, 2012), thus Montenegro and Contel (2017) pointed out that the greater supply and accessibility of credit is one of the catalysts for consumption, however, they assumed that this consumption contrasts with a reality of poverty and worsening social conditions being a vulnerable situation.

According to data from the Central Bank of Brazil (CB), credit consumption in January 2022 represented R$ 4.671 trillion, which corresponds to 53.3% of the country's Gross Domestic Product (GDP). This expansionist scenario allows a large part of the Brazilian population to have access to credit in an increasingly less bureaucratic, agile and accessible way, according to the Quarterly Survey of Credit Conditions in the state of Pernambuco in the final balance of 2022, the stock of credit to individuals registered an increase of 17.7% (21% in 2021). Therefore, it is worth mentioning that in face of new trends in credit access and new products offered, precauttion must be allied with consumers, considering that excessive consumption can affect their well-being and their financial well-being (FWB) (Da Silva et al., 2024).

For young people without professional experience, entrepreneurship has emerged as a way to enter the job market, taking into account their ability to identify problems, opportunities and develop solutions for society (Sinha et al., 2016). In 2021, Brazil registered more than 3.9 million new ventures formalized small and microenterprises, this number represents 55% of young entrepreneurs aged 18 to 24 (Conaje, 2022).

Based on the above arguments the aim of this study was to discuss how consumer vulnerability and financial well-being are related to the credit consumption of young entrepreneurs at the clothing cluster in Pernambuco's state.

The paper is organized as follows. This introduction provides a context on the research topic. In Section 2, are presented the theoretical foundations about consumer vulnerability, FWB, and credit consumption. Next, Section 3 highlights the sample, instrument, and analysis techniques. Section 4 describes the profile of the respondents, as well as the analysis of the relationship between consumer vulnerability and credit consumption and financial well-being with credit consumption. Section 5 presents the main conclusions and implications os the research.

2. THEORETICAL REVIEW

2.1.Consumer Vulnerability

Consumer Vulnerability (CV) is of interest in Transformative Consumer Research (TCR) studies and seeks to evaluate activities that influences and increases vulnerability in a way that negatively impacts consumers' daily lives, which is the focus of TCR studies, in order to reveal them (Badot & Cova, 2008). CV it is a multidimensional phenomenon that occurs due to the individual's powerlessness, making them dependent on the consumption situation that has negative impacts on their identity, influencing their well-being (ACR, 2017).

Vulnerability is often understood as a temporary condition, emerging in adverse situations such as crises, natural disasters, or difficulties in making purchase decisions (Commuri & Ekici, 2008). However, it can also take on a permanent character, as in cases where comprehension limitations resulting from functional illiteracy undermine an individual's autonomy (Hill & Sharma, 2020). In this context, consumer literacy encompasses not only knowledge but also the ability to manage choices autonomously, regardless of social or situational factors, in order to meet one's needs in the marketplace (Solomon, 2016). More broadly, vulnerability can thus be seen as an unfavorable condition, marked by some level of exposure that renders individuals susceptible to potential risks (Silva et al., 2021).

According to Wünderlich et al. (2020), consumer vulnerability can arise from a variety of factors, such as stimuli, influences, and conditions, encompassing both physical and sensory aspects found in shopping environments. Bitencourt (2004) argues that every consumer is vulnerable in relationships with suppliers of goods and services, being more noticeable in low-income consumers, who still have to deal with discrimination (Santo & Hemais, 2017), and Cartwright (2015), refers to CV as the the exposure and likelihood of suffering harm and losses, which can result from both individual characteristics that influence purchasing decisions and existing market conditions.

In this regard, Broderick et al. (2011) emphasize that consumers may be harmed by unfair or deceptive business practices due to lack of access to adequate information, limited legal resources, and negotiation skills, necessitating the existence of regulatory strategies and initiatives to protect vulnerable consumers from facing situations that may worsen or mitigate their circumstances. Linked to this there are strategies that are seen as characteristics that either exacerbate consumer vulnerability or contribute to and offer benefits, namely: (1) avoidance behaviors leaving the consunption environment, (2) loyalty even if the choice is not pleasant, (3) hyper-consumption where there is an idealization of building a new image, (4) innovating to find solutions to leave the current situation, and (5) re-evaluating learning from existing processes and decisions that led to a certain situation.

Faced with financial products offered by banks, consumers end up choosing the indicated offer according to their needs. In addition to this situation, easy access to credit for a population with little information about financial planning (Araújo & Calife, 2014), often without the need for proof of income (Lara & Ribeiro, 2016), and with difficulties in perceiving or accepting their financial limitations, further amplifies the situation of vulnerability.

Consumers may voluntarily expose themselves to vulnerability due to their attitudes, which are often lazy or selfish when adopting harmful financial behaviors (Shultz & Holbrook, 2009), such as avoiding topics related to money management, financial education, or even financial literacy, or simply because they do not properly inform themselves before contracting banking products. Such attitudes and behaviors can reduce their financial well-being because lack of information makes it difficult to make financial decisions suitable for their needs (Losada-Oalora et al., 2018) and can result in high interest rates or high indebtedness (Lusardi & Tufano, 2015).

Next, I will present the chapter on financial well-being.

2.2. Financial Well-Being

As highlighted by Chuan, Kai, and Kok (2011), financial well-being (FWB) refers to the alignment between desired financial goals and an individual's current financial situation. The authors explain that achieving financial stability and reducing concerns related to financial commitments and income fluctuations contribute significantly to improved FWB, resulting in a more positive outlook on life and greater overall satisfaction (Cheung & Lucas, 2014).

In the professional context, a lack of financial well-being can undermine productivity by increasing absenteeism and reducing efficiency in work performance (PwC, 2022). International research also points to this effect in the workplace: according to Yakoboski, Lusardi, and Hasler (2023), workers facing financial difficulties lose, on average, eight hours per week dealing with economic issues equivalent to an entire workday.

Furthermore, the concept of financial well-being encompasses multiple goals associated with demographic characteristics, income, and consumption. It includes subjective dimensions such as satisfaction with consumption, household financial management and planning, decision-making, health and quality of life, as well as major life goals such as having a child or getting married (Shultz & Holbrook, 2009). The literature also indicates that FWB is not limited to objective factors, such as income and wealth, but also involves subjective perceptions related to financial security and confidence in one's ability to manage resources (Netemeyer et al., 2018). Thus, beyond an individual's actual financial condition, their perception of their capacity to handle unexpected events and achieve financial goals plays a decisive role in shaping their level of financial well-being (Salignac et al., 2019).

In recent years, consumer financial well-being has attracted growing attention from both policymakers and scholars. While earlier studies focused primarily on conceptual frameworks and measurement approaches, a more recent trend emphasizes the definition of the construct and the use of standardized indicators (Mahendru et al., 2020). Although some research has highlighted the relevance of demographic and socioeconomic factors in understanding financial well-being, empirical studies continue to predominantly examine individual-level determinants, as noted by Brüggen (2017).

Despite the varied conceptualizations and measurement methods, existing evidence consistently shows that financial well-being is associated with demographic and socioeconomic variables as well as behavioral factors. Commonly examined variables include gender, ethnicity, age, income, education, and marital status (Hira & Mugenda, 1999). In the behavioral domain, financial literacy stands out (Joo & Grable, 2004; Shim, 2009; Huston, 2010; Adam, Frimpong & Boadu, 2017). For instance, studies indicate that women tend to exhibit greater risk aversion and lower confidence in financial decisions even when possessing the same level of objective knowledge as men (Lusardi & Mitchell, 2008) which affects various dimensions of financial well-being. Age also emerges as an important predictor, given its relationship with financial development, knowledge acquisition, and asset accumulation (Binswanger, 2010).

In this context, young individuals who acquire financial management skills are better prepared for adulthood, which may help sustain their financial well-being over time (Gorla et al., 2016; Chavali, K., Mohan Raj, P., & Ahmed, R. 2021). Similarly, higher levels of income and education are positively associated with wealth accumulation, particularly because they enable access to higher-yield institutional savings instruments (Beverly & Sherraden, 1999; Binswanger, 2010).

In the Brazilian context, financial well-being has been measured using the indicator developed by the U.S. Consumer Financial Protection Bureau (CFPB, 2015). This model evaluates individuals' control over their personal finances, their ability to make decisions during financial crises, their progress toward financial goals, and their capacity to make choices that enhance overall quality of life.

Next, I will present the chapter on credit consumption.

2.3 Credit Consumption

From the historical context, credit consumption, seen as financiais intermediation, has been identified since the time of the Babylonians in Mesopotamia, with Greece and in Rome the credit activity during the Ancient Age consisted, for the most part, of advances from royal or religious warehouses. Then, in the Middle Ages, credit was consolidated as a business activity, and the expansion of loans came from bankers (Taddei, 2010).

Credit has been one of the elements that contributed to facilitate access to consumer goods and services, promoting the development of organization relations and production expansion in the colonial era and the consumer society. The relationship of cordiality allowed access to credit because it is characterized by trust, that is, to believe, that a good or money itself will be handed over to another who will use it, but trusting that after a certain period, this good will be returned to the lender, with or without the addition of other values resulting from the application of interest on the principal (Gonçalves et. al. 2021).

Silva et. al. (2015) states that credit is used in the daily lives of most of the adult society that has an active financial life, being employed in the purchase of products, housing, rural or automobile financing, appliances, bank loans, among others. Bauman (2010) suggests that credit itself be considered as a commodity to be consumed. This use of credit can be of great benefit if used properly, for example: to invest, grow a business, increase income or wealth, however, negative credit is called that credit which, far from empowering, impoverishes (Ramsey, 2018).

Thus, some modalities are highlighted according to the Central Bank of Brazil (2022):

Picture 1
Types of Credit Consumption

Rotating credit card	It is used in operations and financing the remaining outstanding balance after the partial payment of credit card bills. These are cash withdrawals using the credit card function.
Personal loan without payroll deduction	Refers to a type of loan in which the value of the installments is not automatically deducted from the applicant's salary or benefit.
Consignment credit	It is a personal loan with payroll deduction, meaning it is a type of personal credit where repayments are deducted directly from the borrower's paycheck.
Acquisition of motor vehicle assets	They are loans granted to individuals aimed at financing the purchase of motor vehicles, with the financed asset being alienated fiduciarily as collateral for the operation.
Housing financing - SFH	It is financing for the acquisition or construction of housing units eligible under the Housing Finance System (SFH).
Overdraft	It refers to credit operations associated with current accounts through the use of pre-established credit limits without the need for prior communication to the financial institution.

Source: Adapted from Bacen (2022).

According to Costa (2002), indebtedness is related to credit because it has an impact on economic growth. Individuals' indebtedness functions as a process to finance economic activities. According to the culture of indebtedness, consuming credit is seen as a good life habit and comfort in the contemporary world, and it is also viewed as a right with easy access.

The difficulties and restrictions faced by young entrepreneurs often lead them to look for alternatives to satisfy their business expansion needs, as well as to face financial decisions (Winborg, J., & Landström, H., 2001). Although financial institutions are the best known options, the market offers a variety of loan alternatives for different types of companies. It is crucial that young entrepreneurs are aware of the different sources of credit available, as this allows them to choose the option that best suits their business (Sebrae, 2023).

In the next section, the methodological procedures will be presented.

3.METHOD

The research is defined as qualitative because it seeks to identify the variety of representations of individuals in their experiential world (Bauer & Gaskell, 2008). Qualitative research focuses on a level of reality that is aligned with meanings, motivations, beliefs, values, and attitudes (Minayo, 2014). According to Flick (2004, p. 178) "qualitative research encompasses a specific understanding of the relationship between the subject and the method" and the linearity and circularity of the process must also be considered.

The choice of the Local Productive Arrangement (LPA) of the clothing sector in the Agreste region of Pernambuco is strategic and relevant due to its significant growth in credit usage and high levels of indebtedness. With a notable increase in credit operations and a large number of entrepreneurs, the LPA represents an ideal environment to investigate how the lack of financial experience and facilitated credit access impact financial well-being. Analyzing the specific conditions of this region provides valuable insights into the needs of young entrepreneurs and contributes to the development of strategies that promote a balance between responsible consumption and financial stability.

Thus, the research subjects were approached considering the following inclusion criteria: (1) being a young formal/informal entrepreneur and credit consumer in the Pernambuco's Clothing Cluster in Brazil; (2) being between 18 and 34 years old; and (3) being willing to participate in the research.

Fifteen interviews were conducted, of which twelve were included in the analysis. Three interviews were excluded because, although the participants initially agreed to take part in the study, they provided only monosyllabic or excessively brief answers, showed little engagement with the topic, and did not offer information relevant to the research objectives. The twelve valid interviews were individual, in-person, and semi-structured, allowing participants to articulate their perceptions and experiences in depth. The interviews took place between September 1, 2022, and March 4, 2023.

The number of interviews was not predetermined, as the study adopted theoretical saturation as the criterion for concluding data collection. Following Corbin and Strauss (2015), saturation occurs when additional interviews no longer contribute substantially new insights and when recurring patterns, themes, and categories become evident. In this study, consistent signs of saturation began to emerge after the sixth interview, when participants' accounts increasingly converged around similar elements without introducing new perspectives. Data collection continued, however, to ensure analytical stability and interpretive robustness, resulting in the twelve interviews analyzed.

In order to better present the 12 participants, we elaborated Table 2, which presents the characterization of the research subjects.

Table 2

Characterization of Research Subjects

Subject	Gender	Age	Company Status	Company Age	Education
E1	Female	25	Formal	1 years	Undergraduate in Human Resources
E2	Male	25	Formal	3 years	Undergraduate in Business Administration
E3	Male	31	Informal	4 years	Undergraduate in Business Administration
E4	Female	29	Informal	3 years	Undergraduate in Architecture
E5	Female	26	Informal	6 years	Completed High School
E6	Female	27	Informal	3 years	Bachelor's Degree in History
E7	Male	31	Formal	5 years	Biomedical
E8	Male	28	Informal	4 years	Student in Psychology
E9	Male	29	Informal	4 years	Completed High School
E10	Female	29	Informal	8 years	Psychoanalyst
E11	Male	30	Informal	7 years	Completed High School
E12	Male	26	Informal	5 years	Physiotherapist

Source: Research data (2023).

A content analysis technique was adopted so the researcher could understand and go beyond the responses given by the interviewees. The objective of content analysis is to explore the influence of messages, content and expression to highlight indicators that allow for the clarification of a context that is not just the message itself. The process involves transcribing, coding and categorizing qualitative data to identify patterns and emerging themes. This systematic and detailed method facilitates the interpretation of messages, revealing influences, intentions and social and cultural contexts that shape communication (Bardin, 2011).

The analysis and discussion of the results were presented into two sections, where the first one presents the context of consumer vulnerability and credit consumption, listing some categories as defined by Broderick (2011), which can worsen the situation, namely: (1) evasion by leaving the environment; (2) loyalty even if the choice is not pleasant; and (3) hyperconsumption. And in the second part, the understanding that research participants have about the concept of financial well-being will be addressed through the categories presented by the Movable Values Commission (MVC) (2018). These categories are: control over your finances; financial freedom to enjoy life; focus and commitment to financial objectives; and protection against present and future unforeseen events.

The next section will present the analysis and discussions of the data.

4. ANALYSIS AND DISCUSSIONS

The data analysis was presented in two subsections, (1) Consumer Vulnerability and credit consumption and (2) Financial well-being and credit consumption.

4.1. Consumer Vulnerability and Credit Consumption

In this first stage of data analysis, the credit consumption practiced by young entrepreneurs Pernambuco's Clothing Cluster in Brazil, was identified as an act resulting from the influence and pressure of various factors. Based on the Consumer Vulnerability Theory, the main risk factors driving the occurrence of consumer vulnerability experiences are individual, community, and macro-environmental pressures.

The findings of this study indicate that individual and macro-environmental pressures were predominant in causing young entrepreneurs to experience vulnerability in credit consumption. Indeed, age brings about changes that can affect credit consumption, compromising and hindering the approval and obtainment of credit when requested, and consequently influencing entrepreneurs to make other decisions about where and how to consume credit.

> Also due to age because since the company is very connected to us, right? From the individual, we have to use this reference, right, the individual to capture something for the legal entity, and it becomes a little more difficult. (E2, Male, 25 years old, formal, 3 years in the company.)

> I think it would be more difficult for us because of age, right? That the bank always wants greater security, right? And since we're small still, we don't have a company opened up, and then this issue already doesn't allow us, I think, right? (E4, Female, 29 years old, informal, 3 years in the company).

During all the interviews carried out with young entrepreneurs, concerns emerged about macro-environmental pressures, especially with regard to access to credit in Brazil. Although there is evidence of modernization and ease in the loan granting process. Interviewees pointed to a persistent difficulty in this access. This challenge is especially felt by informal entrepreneurs, for whom the assumption of ease often turns into excessive bureaucracy (Gonçalves et. al, 2021).

> So they ask a lot about history, right, since we've had the CNPJ [taxpayer registration number] for a short time, it's too little, the issue of limit, of the credit card we can get, even the one from Caixa [brazilian popular bank], it's too little, so the offers are very low, we even try these other digital ones, others that come up, but they don't accept, even for that, talking about the people themselves, not talking about CNPJ at all, we can't get credit. (E6, Female, 27 years old, informal, 3 years in the company).

> The bank itself is a bureaucracy because we're starting, we're young, and so we don't have guidance, support that can help us, that can collaborate with our work, I myself don't have a CNPJ [taxpayer registration number], right? I don't have an Income Tax [income statement], so there's no way. It really is something that is very precarious here, that we are very lacking here in Santa Cruz [city's name], we have this lack and we feel vulnerable, right, because the difficulty is very hard. (E10, Female, 29 years old, informal, 8 years in the company).

In line with this narratives, information disparity theory by Cartwright (2015) shows that the fact that young entrepreneurs do not have the necessary information to consume credit, starting from the point that it is not disclosed by the institutions as they themselves claim, this leads them to leave the consumption environment to look for other alternatives.

Regarding coping strategies used by vulnerable consumers, Broderick (2011) presents some categories and states that some can exacerbate vulnerability, namely: (1) evasion leaving the environment; (2) loyalty even if the choice is not pleasant; and (3) hyperconsumption. These three strategies can end a situation of vulnerability, but fail to remove or modify the causes, which can lead to problems because these choices are not always convenient or possible.

Our research subjects, the young entrepreneurs, are in a consumption environment, to consume credit, but they do not always succeed and need to seek another alternative, applying Broderick's (2011) first theory, Evasion leaving the environment, as we can see below:

> So, in order not to lose this relationship with my supplier who delivers my merchandise ready to sell, I go there and get it from someone, even my own father. He makes a point of helping when he can, and it's much easier than me going to the bank and getting any kind of credit. (E8, Male, 28 years old, informal, 4 years with the company).

> It's much easier for me to get it from someone I know who already knows me, knows that I pay properly, pay correctly, so it's much easier with these people than, for example, going to a bank here... (E9, Male, 29 years old, informal, 4 years in the company).

Choosing another alternative often leads the young entrepreneur to the next strategy, which is loyalty, even if the choice is not pleasant. As we can see below:

> I went through a lot of financial difficulties, I had to borrow money from a loan shark, may I say it? I borrowed from a loan shark, that's it. I borrowed money. And it wasn't easy. I even thought about declaring bankruptcy. Trying to find a job. But I'm managing. I only live from this bussiness. I work one day to pay all my bills and it's not enough, it's not sufficient and I end up paying interest and my bills late. (E10, Female, 29 years old, informal, 8 years in the company).

These individuals become vulnerable to commercial practices of granting credit at abusive interest rates (Shultz & Holbrook, 2009). In Brazil, the credit modality for consumers who are already delinquent in the market charges high interest rates, which can reach up to 27.17% per month (BCB, 2019). As presented by the subject in the follow speech.

> When I feel like I'm going to run out, I already use the credit card and swipe it in the machine to finance myself. Today the interest rates are very high, right? I receive offers from banks to get credit both personally and for the company, but the rate is higher than the credit card, so I prefer to use the card and finance myself. Because the credit card rate is on average 1% and the bank's lowest rate is 4.5% to 7% with some banks reaching 14%. (E4, Female, 29 years old, informal, 3 years in the company).

With this, according to Ássimos et. al. (2019), it is exemplified that the consumer has their financial well-being harmed in this situation of momentary vulnerability since they do not have all the information or sufficient knowledge to decide more assertively about the available offers. Following the strategies proposed by Broderick (2011), those that collaborate and provide benefits are examined, including: (1) seeking innovations to find solutions that allow overcoming the current situation; (2) reassess learning from existing processes and decisions that led to a given circumstance.

In this context, in the first category proposed by Broderick (2011), it is observed that research participants face restrictions when seeking innovations. Although they have the possibility of formalizing their activities to obtain benefits and access to credit when necessary, they often neglect this opportunity, either due to lack of information or not actively seeking it.

> Here we work very much like this [the informal way]. It's difficult to work in another way. And also because of the informality, we don't have much access to it at the moment, because to get the CNPJ [taxpayer registration number], we need a structure that we don't have. (E4, Female, 29 years old, informal, 3 years in the company).

In the second category, when reassessing the learning of existing processes and decisions that led to a certain situation, research participants demonstrated their intention to seek more knowledge about financial management, starting to learn how to control the company's finances.

> Before, everything was disorganized, and you have to know all the expenses, because everything was a bit messy (laughs), needed to organize, make expense spreadsheets, profit spreadsheets, make spreadsheets for everything. And now the time has come. Everything is getting organized to gear up for this computerization. (E5, Female, 26 years old, informal, 6 years in the company).

> In the beginning, it was difficult for us to learn how to manufacture, to know what profit was, it took work, because in the beginning, we think everything is profit and it's not, you know? There is profit, there are expenses, there's everything, you have to have cash, right? So we keep seeking to learn more every day so as not to make a wrong choice. (E6, Female, 27 years old, informal, 3 years in the company).

Even though Broderick's theory (2011) deals with the context of consumers with disabilities, and here in this study, we present young entrepreneurs as credit consumers, it is possible to observe that their strategies resulting in consumer vulnerability, as well as the strategies to get out of a situation of vulnerability, apply and are viable.

4.2. Financial Well-being and Credit Consumption

In this section, we discuss the participants' understanding of the concept of financial well-being and whether they identify themselves with this state. In addition to the conceptual discussion and recent empirical contributions on financial well-being, this research adopted a set of analytical parameters to guide the categorization of statements and the interpretation of interviewees' accounts. For this purpose, we used as a central reference the model proposed by the Consumer Financial Protection Bureau (CFPB, 2015), later adopted and updated by the Brazilian Securities and Exchange Commission (CVM).

This model assumes that financial well-being results from habits, behaviors, and experiences with money, operationalized through four indicators that served as the basis for our analysis. Brüggen (2017) adds to this perspective by introducing the notion of financial freedom, that is, the possibility of making personal decisions without economic constraints preventing the realization of one's choices.

The first indicator, control over finances, refers to the degree of awareness individuals have regarding their expenses, their daily financial organization, and their ability to manage cash inflows and outflows (CVM, 2018).

> "I don't have savings… My salary is what I make. Today I need a thousand reais, so I have a thousand reais, but other than that, if I don't need anything, the profit stays entirely in the company." (E3, male, 31 years old, informal, 4 years in the business).

> "There's no method to organize… I don't have a spreadsheet on the computer; I make a handwritten spreadsheet in my notebook. I go and organize income, expenses…" (E5, female, 26 years old, informal, 6 years in the business).

> "Because there's not much planning, it ends up being burdensome, but the lack of organization ends up causing harm." (E8, male, 28 years old, informal, 4 years in the business).

Overall, the interviewees associate financial well-being with daily financial management, achieving goals, and the feeling of peace when making decisions, aligning with the perspective that this state involves emotional security and the capacity for action (Joo & Grable, 2004). However, many demonstrate limited access to information or incentives to understand the topic more deeply.

> "We have a notion of what needs to be paid… but it's superficial. (…) This topic isn't something you easily find on the internet or TV, (…) institutions don't reach out to us to inform us." (E11, male, 30 years old, informal, 7 years in the business).

The account given by interviewee E11 reveals an important point: passivity toward financial learning. His statements indicate a posture of waiting for external instructions, which aligns with what the literature calls low financial literacy, understood as the set of knowledge and skills needed to make effective financial decisions in daily life (Joo & Grable, 2004; Lusardi & Mitchell, 2008). The lack of initiative to seek information, combined with dependence on external guidance, contributes to lower levels of financial well-being, reinforcing previous findings regarding how knowledge gaps affect planning capacity and decision-making.

The second indicator, protection against unforeseen events, relates to the ability to handle unexpected expenses without compromising financial stability (CVM, 2018). In general, it was found that the lack of knowledge and planning prevents the formation of savings, the separation between personal and business expenses, and the regular control of finances. Moreover, there is a recurring pattern of reinvesting all profits back into the business, which, although common among microentrepreneurs, increases their vulnerability to financial shocks.

> "I can't really separate personal expenses… I calculate how much I earn per piece, how much I made in the month, then I know how much the profit was. And the rest I invest in the business." (E6, female, 27 years old, informal, 3 years in the business).

The third pillar investigated concerns financial goals (CVM, 2018). When asked about savings, reserves, or investments aimed at fulfilling dreams or projects, most reported having no financial separation for this purpose. Some stated they did not have specific knowledge about financial products, while others saw savings as a future goal still out of reach under their current circumstances.

> "No, I don't have it because I have my Nubank account, right? And when Pix comes in, it stays in the account, but in any other way, no. We use it like that." (E10, female, 29 years old, informal, 8 years in the business).

> "I work like this, I know it's wrong, but I don't have savings. And I try not to take profit from the business." (E3, male, 31 years old, informal, 4 years in the business).

Finally, the last pillar proposed by CVM (2018), freedom to make choices, sought to identify whether young people feel capable of making adequate financial decisions. It was observed that many recognize the inadequacy of how they manage the company's finances, which limits their decision-making autonomy and their ability to define strategies.

> "No, we don't work specifically like that because, as I told you, since we work by market, we live week by week. There is no defined strategy." (E4, female, 29 years old, informal, 3 years in the business).

Overall, the interviewees demonstrated some level of awareness regarding the expenses and demands of the business; however, they expressed dissatisfaction with the other components of financial well-being defined by CVM (2018).

Finally, I present the concluding remarks of this research.

5. FINAL REMARKS

This study investigated the interaction between consumer vulnerability and financial well-being in the use of credit among young entrepreneurs in the Clothing Cluster of Pernambuco, Brazil. The data analysis revealed that, in the context of credit consumption, these young individuals experience vulnerability marked by fragilities arising from both internal factors and external elements within their social interactions.

The relationship between credit consumption, vulnerability, and financial well-being proved to be complex and multifaceted. Young consumers often resort to credit as a strategy to cope with immediate resource constraints; however, this dependence tends to worsen their economic situation, contributing to debt cycles that diminish financial well-being and intensify vulnerability. In this scenario, coping strategies such as financial education and the creation of emergency reserves emerge as essential mechanisms for strengthening financial management, preventing excessive credit use, and promoting greater long-term economic stability.

Moreover, the study identified that young entrepreneurs develop different strategies to use credit without increasing their vulnerability, such as seeking alternative consumption environments, maintaining loyalty despite dissatisfaction, adopting hyperconsumption practices, innovating to solve problems, and engaging in continuous learning. However, the lack of knowledge and information about risk situations hinders their ability to choose the best decision-making strategies regarding credit, directly affecting their financial well-being. This reinforces the need to understand their specific demands when accessing financial products.

Increasing the level of financial knowledge can significantly contribute to the business planning of these young entrepreneurs in the Agreste region of Pernambuco. To this end, the convergence of public and private initiatives around topics such as financial organization, credit, and investments would be desirable. Financial knowledge, in addition to reducing interest payments and encouraging planning, also promotes greater peace of mind and security in both the present and the future, serving as a fundamental premise for improving financial well-being.

As an academic contribution, this study seeks to address gaps in the literature by examining financial well-being through a qualitative approach. Exploring participants' lived experiences allowed the capture of nuances that would be difficult to detect through quantitative methods. The analysis of patterns, perceptions, and meanings present in the narratives expanded the understanding of how consumer vulnerability and financial well-being manifest in real-life situations, enabling more comprehensive reflections aimed at developing strategies and interventions aligned with the needs of this group.

Aligned with the perspective of Transformative Consumer Research (TCR), the study presented transformative propositions for the credit consumption environment, highlighting actions that can prevent or reduce the vulnerability of young consumers. Among these, the following stand out: (1) the development of more flexible financial products tailored to individual needs; and (2) strengthening corporate education so that financial institutions can better understand the factors influencing financial well-being and offer more equitable services to vulnerable groups.

Research Limitations - The reduced number of participants and the specific geographic focus limit the generalization of the results. The perceptions and experiences analyzed reflect a particular context shaped by the unique economic, sociocultural, and sectoral characteristics of the region and the segment studied.

Suggestions for Future Research - Based on the findings and limitations identified, several relevant avenues for continued and expanded discussion are suggested:

- Investigate young entrepreneur–consumers' perceptions of the impact of financial services on their financial well-being, deepening the understanding of their subjective experiences with financial institutions.
- Analyze whether and how financial institutions develop strategies aimed at improving the financial well-being of credit consumers, assessing their effectiveness and reach among vulnerable groups.

- Explore consumer vulnerability through the actions of financial institutions, broadening the discussion on informational asymmetries, business practices, and power dynamics.

These suggestions may strengthen the research agenda on vulnerability, credit, and financial well-being, expanding dialogue among academia, policymakers, and financial institutions.

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